

BUSINESSDIMENSIONS

FINANCIAL STRATEGIES FOR THE ENTREPRENEUR



A survival guide for entrepreneurs

How to cope with the emotional highs and lows of the early days

You've got an idea. A great idea. Maybe it could even make some real money. As you're starting out, buckle up: it's likely to be a bumpy ride of emotions and challenges you may have never experienced before. So it's important to learn to harness the emotions that will drive your business forward and ignore the ones that could derail you along your journey to success.

GIVE POWER TO YOUR PERSEVERANCE

Some might also call this courage. It takes bravery to chase a vision in the face of uncertainty – to maintain conviction in your business idea in order to survive AND thrive. Now, keep in mind, there's a big difference between being bold and taking on unnecessary risk. Some entrepreneurs roll the dice, but the vast majority make calculated wagers based on exhaustive risk/reward evaluations.

PAIR YOUR PASSION WITH PREPARATION

Passion, in and of itself, can be wonderful, inspiring. It can give you a competitive advantage, the drive needed to propel your idea forward no matter what stands in your way. Investors may even be inspired by your faith. But, unsurprisingly, a 2009 study

found that preparedness, not necessarily passion, attracted venture capital. Pay careful consideration to market needs. Conduct your own research through surveys or focus groups. Tap into existing market research at SBA.gov and learn to present your findings well to get backing.

At minimum, get answers to these questions:

Demand: Is there a desire for your product or service?

Market size: How many people would be interested in your offering?

Economic indicators: What is the income range and employment rate?

Location: Where do your customers live and where can your business reach?

Market saturation: How many similar options are already available?

Pricing: What do potential customers pay for alternatives?

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A survival guide for entrepreneurs (cont.)

FETTER YOUR FEAR

Worrying that you might fail at this endeavor both helps and hurts. By itself, this fear is well-founded. Roughly 70% of ventures fail within 10 years, according to the U.S. Bureau of Labor Statistics. And then there is the opposite, fear of success, which can cause some entrepreneurs to shy away from rapid growth or become unable to make decisions when overwhelmed with possibility.

Without risk, or fear, there can be no reward. But temper this feeling so you can look logically at how to maximize gain and minimize loss. When fear rears its ugly head, and it certainly will, do nothing. It's hard to be rational when you are in that state, so take a pause and let your emotions settle. Another option to help quell fear is to partner with an accomplished mentor, perhaps one who has shepherded a business through the startup and growth phases. They can offer advice on common fears that plague small business owners, like:

- Financial instability for employees and your family
- Increased competition
- Shifts in market landscape
- The unknown (e.g., natural disasters)
- Inability to secure funding

Of course, not all fears are created equal. Some are actually motivators. Research has found that entrepreneurs become positively persistent in the face of worries concerning opportunity costs, financial security for their families and their employees, or ability to obtain funding.

On the flip side, business builders who worried their idea lacked potential or felt insecure in their ability to create a successful venture were more likely to succumb to negative self-talk and become less motivated. Worse yet, they had a tendency to slice and dice data, overanalyzing everything to avoid making another decision.

Be aware, too, that fear can compromise effective goal setting. Fear of failure may prompt you to tackle low hanging fruit first – easily achievable objectives – but it could also spur you to aim for wildly impossible goals – which are easier to rationalize if you don't achieve them.

Research from Warwick Business School revealed four strategies to position fear as a positive force:

- ▶ **Emotional control:** Emotional intelligence involves being aware of your feelings and able to control their influence on you. Paying attention to how you feel and then how you act may reveal how your mood affects your decisions.
- ▶ **Problem-solving:** Fear may drive you to identify problems to solve and then do something about them. Fixing problems, even small ones, can boost your confidence and waylay anxiety.
- ▶ **Learning:** Whether formal or self-directed, gaining competence – and confidence – in applicable skill sets can quell fear. Of course, you will never know everything there is to know, so coming to terms with some unknowns and ambiguity is important as well.
- ▶ **Seeking support:** Reach out to mentors and your professional network for reassurance and advice, especially those who have traveled down a similar path. They can help you problem-solve and offer constructive criticism.

DON'T GET DEFEATED

A great idea and a solid business plan aren't the only components to launching a successful business. There's a significant amount of trial and error, of testing, rethinking, tweaking. And it can be FRUSTRATING. Ultimately, you may learn from your mistakes, but the process can be taxing.



In these early days, if you can learn to channel your emotions the right way, you'll find yourself growing, hiring talent and attracting additional funding – all ultimately leading to a successful venture. ■

NEXT STEPS

Talk to your professional advisors about:

- Creating an investment plan that includes your business assets
- Protection strategies like insurance, titling, diversification and a cash reserve

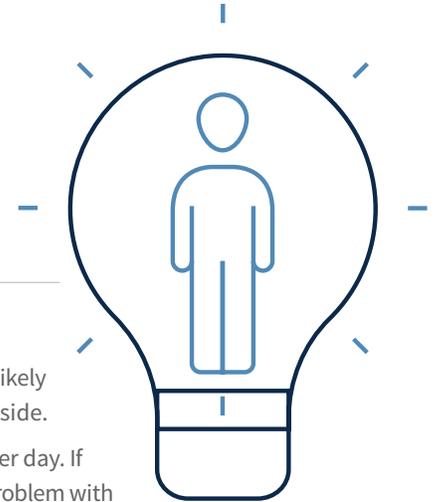
5 WAYS TO KEEP THAT ENTREPRENEURIAL SPARK ALIVE

HINT: THE WORLD IS YOUR CLASSROOM.

When you embarked on your entrepreneurial journey, your curiosity, drive and passion were likely what carried you to the present: running a successful business with a capable team at your side.

The daily grind can be just that: grinding. You're likely running a million miles an hour, day after day. If it's working, you may feel like the safest bet is to just keep doing what you've been doing. The problem with this approach is that one day you'll look up and realize you're complacent or – worse – exhausted. And both can affect your productivity and ultimately your bottom line.

So how do you keep that *joie de vivre* alive in yourself and others to make sure you slow down every once in a while and don't get stuck in a rut?



1 READ, READ, READ

You already probably have a list of books a mile long you're planning to get through. To absorb information with less of a time commitment, get on the e-newsletter list for innovators in your field. This way you can read a curated collection of articles at your leisure.

2 MAKE THE MOST OF YOUR DOWNTIME

Find podcasts featuring experts in your field, and then play them while you're working around the house, during long commutes, or instead of surfing on your phone before bed-time. It's also important to take care of yourself – like getting good sleep, unplugging from work email in the evening and getting exercise. Encourage employees to do the same, and they will thank you.

3 MIX AND MINGLE

Seek out networking events or workshops in your area and challenge yourself to have at least one conversation with someone who's like-minded. If you have more time (and money), get out of town for a few days – attend a conference either related to your field of expertise or on a topic that could infuse life into a particular area of your business, like marketing or communications. Spending time with other people face to face is a surefire way to come back to the office feeling refreshed.

4 GO ONLINE

Connect with people and follow businesses and innovators in your field on LinkedIn, where you'll get exposure to articles they post, and follow cutting-edge leaders on social media like Twitter and Instagram to stay inspired.

5 THINK OUTSIDE THE (SCHOOL) BOX

With massive open online courses (MOOCs), continuing education possibilities abound. Without ever having to step foot in a classroom, you can take a class on anything from business law to SWOT analysis and more. Plus, get access to instructors from some of the top universities in the U.S. – many of them for free or for a small fee.

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Want to build trust in your employees and encourage them to be the best they can be? Share this list with them and lead by example. For help budgeting for things like training and conferences, get in touch with your advisor. ■

NEXT STEPS

Continue your learning journey by:

- Discussing a feasible budget for training and conferences with your advisor
- Inspiring your employees to develop valuable skills
- Researching relevant certifications that could enhance your business

Are you prepared for the unexpected?



Personal insurance isn't likely to cover what you need as a business owner, and you don't want to find that out the hard way. Proper insurance can help stave off bankruptcy from lawsuits and generally protect the longevity of your business. So how do you know if you need it? And, more important, how much you need?

To answer these questions, ask yourself two others:

- 1. Does your business have inventory, computers or other equipment that you couldn't afford to easily replace?** If your only business equipment is a single laptop, you might not need to insure it. But if you have tens of thousands of dollars of inventory, it's smart to protect it with the right type of insurance.
- 2. Is there a reasonable chance your business could be sued for a substantial amount of money?** Reasons people might sue include someone getting injured on your property, a data breach, or if an item you make or sell is defective and injures someone.

If you answered yes to either of these questions but still aren't convinced, keep reading.

DID YOU KNOW

- **82%** of small business owners don't feel like they're at risk of a security breach, yet more than two-thirds of cyberattacks are aimed at small and mid-size businesses.
- **60%** of home-based businesses don't have liability insurance – but homeowners insurance often doesn't cover business-related assets and lawsuits.
- **40%** of businesses never reopen after a disaster.

Sources: Bethan Moorcraft, "Cyber security: Small businesses remain dangerously in the dark," Insurance Business America, November 2017; Matthew Baker, "The five people who don't know they need business insurance," Entrepreneur, October 2018; "Using personal insurance to protect your business is like not having insurance at all," Insureon blog, July 2015; Jane Haskins, "Business insurance: When you need it and when you don't," legalzoom, July 2016.

TYPES OF INSURANCE

Before you shop around for a plan, it's important to consider your specific needs.



Liability insurance covers obligations and legal defense for accidents, injuries and negligence.

Property insurance reimburses you if property is damaged or destroyed due to fire, storm or theft.

Vehicle insurance covers damage to – or caused by – business vehicles.

Professional liability insurance, also known as errors and omissions insurance, protects from liability for negligence or malpractice in performing professional duties.

Product liability insurance protects manufacturers, wholesalers, distributors and retailers.

Business interruption insurance can help cover the cost of relocating, paying employees and paying rent if you have to move or shut down because of a fire or other event.

Identity theft insurance provides liability coverage for a data breach. It also may cover the cost of notifying and providing services to victims of identity theft.



As an entrepreneur, you may be operating on a tight budget – but paying for one unexpected situation out of pocket could far outweigh the premiums you would pay for insurance and peace of mind.

NEXT STEPS

Get the protection you need:

- Talk to your advisor and weigh the risks associated with your particular business
- They'll connect you with a reputable insurance agent to figure out what type of insurance you really need
- If you need more than one policy, ask about bundling, which could save you money