**Business Readiness Assessment Responses**

**Did you answer “yes” to the questions?  If not, find out why it is so important to understand your entrepreneurial traits, your proposed business, and the financing of that business.**

**About You**

**1.  Do you know why you want to start your own business?**

Why you want to start a business is important as there is more than personal satisfaction to creating a business.  Most successful entrepreneurs feel they have a superior product or service that can be sold to a large number of customers, at a profit.  Only when a business is profitable can its owner be compensated for his or her own labor.

**2.  Have you considered your strengths and weaknesses?**

We can’t possibly know everything there is to know about running a business and be good at every aspect of it.  Entrepreneurs learn very early on that they should focus on their strengths and may need to hire employees to shore up the areas where they are weak.

**3.  Do you have knowledge and experience in your industry?**

To gain that competitive edge over your competitors, you must understand the industry you do business in.  Experience working in your chosen profession is essential to your success.

**4.  Do you have the necessary business skills to run a business?**

Providing goods and services to your customers at a profit is half of the business formula.  Running a business that provides goods and services to your customers at a profit is the other half.

**5.  Can you meet your living expense without taking money from the business?**

While your business is growing, there may be times that you cannot afford to draw a salary for yourself.  You need to have the financial reserves to see you through the lean times.

**About Your Business**

**1.  Do you have a profitable product or service you can sell?**

Profitable products and services are the foundation of a successful business.  Your company has to sell its product at a price higher than the cost to purchase or produce it, plus cover your overhead expenses.  The inescapable formula:

Gross Profit = Sales Price – Cost of Goods Sold.

**2. Can you sell enough products to enough customers to make a living at it?**

Once you determine that your products and services can be sold at a profit, all you need to do is sell enough products to cover your overhead expenses and anticipated profit.  Key formula:

Net Profit = Gross Profit – Operating Expenses and Taxes.

**3.  Have you determined a good location for your business?**

Successful businesses make it a point to be where buyers go to purchase the goods and services they need.  That’s what’s called Location, Location, and Location. Being in the right “Market”: a place where buyers and sellers meet. Are you “in the “Market”?

**4.  Do you know how many customers are in your target market?**

Knowing how many potential customers are in the market for your products or services can give you a good estimate about your profit potential.

**5.  Do you know how many competitors you have?**

Competition can be a good thing.  If no one else is selling what you have, maybe there is a reason for it.  If there are many businesses competing for your customer, maybe there is a large demand for what you sell.  Smart entrepreneurs identify their key competitors and study them, and strive to be at least 1% better than them.

**6.  Can you estimate your sales for your first year in business?**

Profit is a good thing – But nothing happens until someone sells something.  The more sophisticated you become at sales forecasting, the better you can anticipate your needed inventory levels, operating expenses and potential profit.

**7.  Can you estimate your business expenses for your first year in business?**

Knowing how much money it is going to cost you to run your business is critical.  To stay in business, an owner must spend less than he or she makes.

**8.  Do you know how many employees you will need?**

Business owners cannot possibly do everything themselves and do it well.  At least not if they plan to have a life, too! Learn to leverage time, money and manpower. Hire employees to do the things you don’t know how to do or don’t want to do.  Leverage, Leverage, Leverage.

**9.  Have you considered how you will promote your business?**

The best product in the world will never get into the hands of a consumer if they don’t know about it.  Marketing is the processes of letting your potential customers know what you sell.  Entrepreneurs use various marketing vehicles to deliver their messages to their target audience.

**10.  Do you have a business plan?**

How do you achieve success?  You plan for it!  A good Business Plan identifies what you sell, who you sell it to and how you reach your target market.  It depicts how your business is structured, how it operates and who is responsible for what function.  As a dynamic document, it helps you estimate potential revenue from the sale of products and services and outlines the expenses it will take to achieve those sales.  No business can guarantee its success, but the more you plan, the better chance you will have to be successful.

**About Financing Your Business**

**1.  Do you know how much money you will need to start your business?**

Successful entrepreneurs have sufficient funds to start and operate a business. They evaluate and make a list of everything they need to get started including expenses incurred during the start-up process, such as fixtures, computers, equipment, inventory and deposits.

**2.  Can you provide at least 20-30% of that amount (equity injection)?**

Now that you know how much money it will take to open your doors, where are you going to get the funds?  How much money can you invest? If you are going to seek a loan, lenders typically ask their borrowers to provide 20-30 % of the needed funds.  Lenders want to know that you have committed your own resources to the business.

**3.  Do you know what you will need to purchase? (Inventory, equipment, etc.)?**

You need to find out what you will spend your money on to start the business.  This is important to ensure that you have fully identified your start-up needs and that you have allowed for enough working capital to operate the business until you reach breakeven.

**4. Do you know how much money you will need to stay in business?**

Many new businesses can take up to six months or longer to breakeven (the point at which you are not losing money but you are not making money). Successful businesses outline a solid budget forecasting their cash flow requirements to determine if additional capital or financing will be needed.

**5.  Do you have a recent (within the past 90 days) copy of your credit report and FICO scores from each of the three credit bureaus?**

On a scale from 300 to 850, your FICO Score is a snapshot of your credit risk at a particular point in time. If you are going to need a loan, most lenders require a score of at least 640.  Obtaining a copy of your credit report from all three of the credit reporting agencies will help you and your lender evaluate your borrowing potential.