

# So, You Want to Be an Entrepreneur

**First, answer these questions to see if you have what it takes**

By [KELLY K. SPORS](#)

Thinking about starting a business? Make sure you're cut out for it first.

In this bleak economy, lots of people are contemplating striking out on their own -- whether they're frustrated job seekers or people who are already employed but getting antsy about their company's prospects.

## **The Journal Report**

For some people, entrepreneurship is the best option around, a way to build wealth and do something you love without answering to somebody else. But it's also a huge financial gamble -- and some people, unfortunately, will discover too late that it's not the right fit for them.

Building a successful business can take years filled with setbacks, long hours and little reward. Certain personalities thrive on the challenge and embrace the sacrifices. But it can be a hard switch for someone who has spent years sitting in a cubicle with a steady paycheck.

So, how can you figure out whether you're suited for self-employment? We spoke with entrepreneurship researchers, academics and psychologists to come up with a list of questions you should ask yourself before making a big leap. Entrepreneurs, of course, come from all sorts of backgrounds, with all sorts of personalities. But our experts agreed that certain attributes improve the odds people will be successful and happy about their decision.

Keep in mind that any self-analysis is only as useful as the truthfulness of the answers -- and most people aren't exactly the best judges of their own character. So, you might enlist a friend's help.

Here, then, are 10 questions to ask to see whether you're up for the challenge of entrepreneurship.

### **1. Are you willing and able to bear great financial risk?**

Roughly half of all start-ups close within five years, so you must be realistic about the financial risks that come with owning a business -- and realize that you could very well lose a sizable chunk of your net worth.

Consider how much you'll have to ante up and how losing it would affect your other financial goals, such as having a sound retirement or paying your kids' college tuition. Weigh the importance of starting a business against the sacrifices you might face.

Entrepreneurs should be sure that "if they lose this capital, it either won't destroy their financial situation, or they can accept the concept of bankruptcy," says Scott Shane, an entrepreneurship professor at Case Western Reserve University in Cleveland. "Some people thrive on the financial risk; others are devastated by the thought of losing even \$10,000."

And don't assume you'll be able to lower your risk substantially by finding investors. Less than 10% of start-up financing comes from venture capitalists, angel investors and loans from friends

and family combined, Prof. Shane says. And that's true even in *good* economic times. Banks, meanwhile, often won't lend to start-up founders without a proven track record. When they do, they generally require the founders to guarantee the loan or credit line with their personal savings or home -- an incredibly risky proposition. (To learn how to mitigate risk by keeping your old job while starting a new venture, see ["A Toe in the Water"](#).)

## **2. Are you willing to sacrifice your lifestyle for potentially many years?**

If you're used to steady paychecks, four weeks' paid vacation and employer-sponsored health benefits, you might be in for an unpleasant surprise.

Creating a successful start-up often entails putting in workweeks of 60 hours or more and funneling any revenue you can spare back into the business. Entrepreneurs frequently won't pay themselves a livable salary in the early years and will forgo real vacations until their business is financially sound. That can often take eight years or longer, says William Bygrave, a professor emeritus of entrepreneurship at Babson College in Wellesley, Mass.

Even if you can steal away, it's hard to find somebody who can fill in for you. Many entrepreneurs must tow along their cellphone and laptop, so they can be available to answer questions from clients or employees.

Jennifer Walzer learned those lessons the hard way. In 2002, after being laid off from a \$100,000 consulting job when the company closed, she started Backup My Info! Inc., which sells online data-backup services to businesses.

For the first year, the New York-based company brought in just \$29,000 in gross revenue. Ms. Walzer didn't pay herself a salary until the third year, and even then it was a slim \$30,000. She could have taken more out, but she wanted to shovel as much money into the business as possible to keep it financially sound.

Having no income for two years meant that Ms. Walzer had to be extremely frugal; she virtually never ate out or went on vacations or clothes-shopping trips. Twenty-nine years old at the time, she says, "I got very jealous of my girlfriends who got home at 5 o'clock every night and could go out gallivanting and pretty much do whatever they pleased." She'd occasionally meet friends for coffee instead of drinks, since coffee was less expensive.

Now that her business generates about \$2 million in annual revenue, the tables have turned. Ms. Walzer says she earns more from the business than she did as a consultant, and "I have friends who are struggling to keep their jobs because they have bosses."

## **3. Is your significant other on board?**

Don't ignore the toll running a business will take on your loved ones. Failed ventures frequently break up marriages, and even successful ones can cause lots of stress, because entrepreneurs devote so much time and money to the business.



*Stephen Webster*

"I'm always surprised at the number of husbands who start a business and don't tell their wives," says Bo Fishback, vice president of entrepreneurship at the Ewing Marion Kauffman Foundation.

You can avoid the heartache by talking at length with your spouse and family about how the business will affect home life, including the time commitment, changes in daily schedules and chores, financial risks and sacrifices. They must also understand the huge financial gamble they're making with you.

#### **4. Do you like all aspects of running a business?**

You better. In the early stages of a business, founders are often expected to handle everything from billing customers to hiring employees to writing marketing materials. Some new entrepreneurs become annoyed that they're spending the majority of their time on administration when they'd rather be focused on the part of the job they enjoy, says Donna Ettenson, vice president of the Association of Small Business Development Centers in Burke, Va.

"All of a sudden, they have to think about all these things they never had to think about before," she says.

Jeromy Stallings, the 33-year-old founder of Ninthlink Inc., a San Diego interactive-marketing firm with 15 employees, always felt he had plenty of passion for entrepreneurship and self-motivation. But when starting his agency in 2003 and hiring his first couple of employees, he realized he wasn't prepared for the day-to-day challenges of managing other people.

Mr. Stallings had assumed his passion would rub off on employees and they would do their jobs as enthusiastically as he did. But some clients started calling him directly, complaining that his employees weren't returning phone calls or that projects were behind schedule.

"My clients were saying, 'We love your passion, we love your skill, we're just having a really hard time with your management style,' " he says.

So, Mr. Stallings turned to peers, mentors and guidebooks for help. He realized he needed to work more closely with employees and create a more structured project-management system. "I didn't really have a plan in place for how they spend their time," he says.

### **5. Are you comfortable making decisions on the fly with no playbook?**

With a new business, you're calling all the shots -- and there are a lot of decisions to be made without any guidance. You might not be used to that if you've spent years working in corporate America, says Bill Wagner, author of "The Entrepreneur Next Door," a book that lays out the characteristics of successful entrepreneurs.

"For most entrepreneurial ventures, there's no structure," he says. "You're going into a business, and nobody has told you how to be successful."

Mr. Wagner has surveyed more than 10,000 entrepreneurs to find out what traits distinguish successful start-up founders from less-successful ones. Among other things, most entrepreneurs he interviewed said they liked making decisions. He doesn't rule out the idea that less-decisive people could become better at the leadership role. It's just that they will have to work a lot harder at it.

### **6. What's your track record of executing your ideas?**

One of the biggest differences between successful entrepreneurs and everyone else is their ability to implement their ideas, says Prof. Bygrave of Babson College. You might have a wonderful concept, but that doesn't mean you possess that special mix of drive, persuasiveness, leadership skills and keen intuition to actually turn the idea into a lucrative business.

So, examine your past objectively to see whether you have assumed leadership roles or initiated solo projects -- anything that might suggest you're good at executing ideas. "Were you senior class president? Did you play varsity sports?" Prof. Bygrave suggests asking.



*Stephen Webster*

You might even find clues back in your childhood, he adds: "A lot of successful entrepreneurs were starting businesses when they were still kids."

### **7. How persuasive and well-spoken are you?**

Nearly every step of the way, entrepreneurship relies on selling. You'll have to sell your idea to lenders or investors. You must sell your mission and vision to your employees. And you'll

ultimately have to sell your product or service to your customers. You'll need strong communication and interpersonal skills so you can get people to believe in your vision as much as you do.

If you don't think you're very convincing or have difficulty communicating your ideas, you might want to reconsider starting your own company -- or think about getting some help.

In 2007, Brad Price left a \$135,000-a-year job as an associate at a Baltimore law firm to purchase a PuroClean Emergency Restoration Services franchise, which cleans up property damage such as mold and flooded basements. A former Naval officer, Mr. Price felt he was very self-motivated and a good leader. But he was less comfortable cold-calling and striking deals -- something he'd never had to do in previous jobs.

"There's a big difference in waiting for the phone to ring and getting an assignment and having to make the phone ring," says the 33-year-old Mr. Price.

Mr. Price says he now has his wife handle the marketing and networking. "My wife is very good at that, 'Hey, next time a call comes in, how about you give it to us?' " he says.

### **8. Do you have a concept you're passionate about?**

Every morning you want to jump out of bed eager to get to work. If you're not that exuberant about how you'll be spending your time -- or the business concept itself -- running a business is going to be a rough ride.

Ms. Ettenson of the Association of Small Business Development Centers has coached many prospective entrepreneurs about their chosen business. She always asks why they're doing it. If they suggest it's mostly for the prospect of making a lot of money or because they're tired of working for someone else, she steers them toward something more in line with their interests or avoiding self-employment altogether.

"If you hate doing paperwork, the last thing you want to do is become a bookkeeper," Ms. Ettenson says. "If you'd rather be outside taking people into the wilderness, then that's the type of business you should be in."

But it's also usually wise to find a business in an industry you are very familiar with; it will be much harder to succeed if you know little about the field. Mr. Fishback at Kauffman says he has steered a doctor and other professionals away from starting restaurants because they often don't grasp how difficult and risky restaurant ownership is. And they'd be competing against restaurateurs with years of experience.

### **9. Are you a self-starter?**

Entrepreneurs face lots of discouragement. Potential buyers don't return calls, business sours or you face repeated rejection. It takes willpower and an almost unwavering optimism to overcome these constant obstacles.

John Gartner, an assistant clinical-psychiatry professor at Johns Hopkins University and author of the book "The Hypomaniac Edge," theorizes that many well-known entrepreneurs have a temperament called hypomania. They're highly creative, energetic, impatient and very persistent -- traits that help them persevere even when others lose faith.

"One of the things about having this kind of confidence is they're kind of risk-blind because they don't think they could fail," Prof. Gartner says. And, he adds, "if they fail, they're not down for that long, and after a while they're energized by a whole new idea."

You don't have to be as driven as, say, Steve Jobs to succeed. But somebody who gets deterred easily, or too upset when things go wrong, won't last.

### **10. Do you have a business partner?**

If you don't have all the traits you need to run the show, it's not necessarily a hopeless endeavor. Finding a business partner who compensates for your shortcomings -- and has equal enthusiasm for the business concept -- can help mitigate the risks and even boost the odds of success.

David Gage, co-founder of BMC Associates, an Arlington, Va., business-mediation practice, points to a Marquette University study of 2,000 businesses. The researchers found that partner-run businesses are far more likely to become high-growth ventures than those started by solo entrepreneurs.

The key, Mr. Gage says, is finding a partner who prefers handling different aspects of the business, so you're complementing each other -- and not constantly at each other's throats.

Someone who likes to take risks and be in the spotlight, for instance, might choose a cautious partner who prefers to work in the back room. "If they're willing to work with that person, and not just look at them as a wet blanket, then it can be great," Mr. Gage says.

But taking on a partner isn't a light decision. Many partnerships split due to conflicts over everything from attitudes about money to miscommunication and contrasting work ethics. Mr. Gage recommends that potential partners spend several days hashing out the specifics of the business and how the arrangement will work to see if they're compatible.

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