



# Should I Start a Business?

Crown Financial Ministries New Zealand



## **Introduction**

Many people who are unhappy in their jobs, or who are without a job, consider going into business for themselves. Sometimes this is a good option and sometimes it's not. Starting a business can be a complex undertaking, requiring much prayer and consideration; and we could not begin to cover every aspect of this subject in a pamphlet. However, Crown Financial Ministries has learned a lot from counselling with those who have been successful and also those who have been unsuccessful in business. We will touch on some key areas and ask some questions that will help you evaluate the idea of starting a business.

Please realize that this is an introduction to some of the issues you will need to consider before starting a business—not a step-by-step “how to” manual. Answering the following questions will help you “count the cost” before beginning the building process.

## **Motivation**

As in most other decisions, you should always analyse your motivation for pursuing a particular course of action. Proper motivation for starting a business might include a strong desire to provide a product or service or a specific talent or idea that could be marketed better by you than by someone else.

Quite often people want to start a business out of frustration with their current employment situation. That may or may not be a good idea since, for most people, there are other alternatives. And, of course, the desire to earn an income is usually a strong impetus. The following questions will help you analyse your motivations.

1. Why do you want to start a business? List your reasons in order of priority.
2. What don't you like about your current situation?
3. What alternatives have you considered other than self-employment?
4. What values and needs are not being met in your current situation?

5. Starting a business takes a lot of commitment and hard work. It can be a challenge of enormous magnitude, and it usually takes a burning desire to overcome the obstacles. Is this something you really want and feel strongly led to do?

### **Knowledge/Experience**

We recommend you avoid becoming financially involved in things you don't know anything about. This principle especially applies to starting a business. The process will require knowledge plus an investment of money, time, and energy.

1. What is your level of knowledge about the business you want to begin?
2. How much experience do you have in the occupational field you are considering?
3. Do you have any business experience (profit-and-loss responsibility)?
4. Have you investigated the government regulations governing the potential business? Are licenses required?
5. Are you knowledgeable about the income tax and GST requirements that govern self-employed individuals?
6. Have you written a business plan? Do you know how to write a business plan? (If not, check with the Regional Business Partner Network office nearest you.) There is also a simple Sample Business Plan on our website.
7. Do you know what defines a Christian business, and have you studied God's principles for operating a business?

### **Start-up Capital**

Many businesses fail in the first two to three years because they are undercapitalized. Before launching into a business, you need to "count the cost" of everything you will need to succeed. Less than two-thirds of new businesses established in New Zealand are

still operating after three years according to Statistics New Zealand business data.

Rather than being too optimistic, plan conservatively regarding income and be liberal regarding expenses. A frequent problem is that the business does not generate adequate income to pay overheads and provide a liveable income for quite a while. Some think their hourly charge is higher than what they would be earning if working for someone else but they don't take into account their hours that can't be charged to a customer or the full extent of their costs.

Entrepreneurs tend to be too optimistic about how long it will take to develop a business to the point of profitability. Thus, they end up living off the money that should be paying the overheads (creditors), and they sink further into debt while trying to hold on until the business becomes profitable. A major problem develops when a new owner mistakes cash flow for profit and spends money that is needed for operating the business.

Another common mistake during business start-up is to cover normal living expenses by using credit cards. This virtually guarantees financial disaster and should not be done.

1. Where will your start-up and operating capital come from? Do you have enough cash or liquid assets to operate for eighteen months to two years without a profit? (That is a good estimate of how long it will take for most businesses to become profitable.)
2. Are you considering forming a partnership?

**NOTE:** Experience shows that partnerships rarely work out. If you are “yoked” to someone and that person (or his or her spouse) has different values and motivations than you have, you won't be very happy. A partnership is similar to a marriage—but more difficult to maintain. Successful partnerships require all parties to have the mind of Christ (a servant's attitude toward the other partner), but when two or more families are involved this is rarely the case.

### Financial Records

Quite often those who have an entrepreneurial bent are the very ones who don't enjoy detail work, such as record keeping.

Not having good financial records will cause major problems, because as a business owner you must make decisions every day based on how things are going financially. If you don't know where you stand financially, you run a high risk of acting out of ignorance and making a bad (costly) decision.

Keep in mind that the best set of financial records for you will be ones you can

thoroughly understand and complete yourself. You may have to get some help at first and do some study on your own as well, but the keys to remember are *simplicity* and *timeliness*. Having records that are simple and current is essential for sound financial management and are required for GST returns and PAYE returns if you have employees. There are accounting programmes you can run from home rather than employing an accountant to manage your finances, but you may need help from an accountant to set them up properly at the start. Your accountant should be able to give you some guidelines for how to manage your records.

1. What plans have you made for keeping simple, timely, and accurate financial records?
2. Who will be the detail person in your operation? Can you handle details? Will your spouse be better suited to this task? Will you hire someone to assist you?
3. If you are not experienced in the use of financial records, such as income statements, balance sheets, budgets, and the like, how do you plan to become knowledgeable about these areas?

### Counsel and Information

You'll need information from several sources, but your counsel should come from those who have wisdom that comes from a godly perspective toward everything in life. Local Christian businesspeople can be your best source of counsel.

There are also business mentoring schemes operating in most regions. They provide help to those who are considering a business start-up, as well as to those who already are operating a business. Business advice is also available from New Zealand Trade and Enterprise and the Regional Business Partner operating in your region.

<https://covid19.nzte.govt.nz/page/regional-business-partner-network>.

If you are handling hazardous or flammable materials, specialist advice may be necessary – your supplier may be a good starting point.

1. Have you received adequate counsel regarding the pros and cons of owning your own business?
2. Have you developed a list of sources for counsel and information?

## Personnel

The simplest business by far is a one-person operation in which the owner *is* the business. However, many situations will require additional employees. The minute you hire one person, the situation changes considerably, because many laws and rules apply that complicate the workload. You need to be familiar with PAYE taxes and GST, employment and health and safety legislation, ACC, and many other areas or find someone who can advise you about what you need to do.

Also, in any business, hiring the right person is so important. A bad hire is one of the worst things that can happen to the owner of a small business. Develop a job description and criteria for the job before you start looking for a person to do the job.

Generally, we find that an entrepreneur's first hire should be someone who is opposite to him or her. If you are a big-picture person, you probably will need a detailed person to follow through on day-to-day activities and record keeping. Conversely, if you are a detailed person, you probably will need an outgoing, enterprising person to promote the business.

Consider the following questions before hiring someone.

1. Are you familiar with the laws and regulations that apply to hiring employees?
2. Have you developed a written job description for the position you want to fill and a contract for them to sign?
3. Have you given consideration to the "pattern" of the person you want to hire?

- \_\_\_\_\_ Skills and abilities
- \_\_\_\_\_ Vocational interests
- \_\_\_\_\_ Work values
- \_\_\_\_\_ Personality

## Timing a Business Start-up

As in any other endeavour, timing can be a key factor in the success of the business. Timing considerations can apply to you in your life and situation, and they also can apply to the product and/or service you offer.

1. Is the endeavour compatible with your lifestyle and other responsibilities at this time? Has the window of opportunity closed, has it just opened, or will it not open until some future date?

2. Is the timing right for this particular product or service? (This is a marketing question that will require some careful thought, advice, and research.)

### Personality

Generally entrepreneurs tend to operate from a confident, results-oriented, problem-solving, and challenge-oriented (Dominant) personality style. They usually are big-picture visionaries who believe they can overcome any obstacles that arise. However, there are good examples of every personality style being effective as business leaders.

The secret is to know your strengths and weaknesses and work within them, adapting to the situation as necessary. On the other hand, you should be aware that whenever you must adapt for an extended period of time, stress may result. If you have high needs for stability and security, you may not want to undertake the risks of being an entrepreneur.

Entrepreneurs generally must be willing to take risks; sometimes they succeed and sometimes they fail. The principle of risk versus return applies here just as it does for any other investment. The higher the anticipated return, the higher the risk.

You should understand your personality and give this area high priority in your decision to start a business. Is your temperament suited to owning and operating your own business? Evaluate your strengths based on the information in the entrepreneur appraisal below.

### Entrepreneur Appraisal

Assess your personal potential to operate your own business. Circle a number for each statement to indicate how well it describes you or how you feel.

(1=not at all, 2=sometimes, 3=often, 4=usually, 5=always)

1 2 3 4 5 I like to be in charge and usually lead groups in which I work.

1 2 3 4 5 I tend to see the “whole picture” and all aspects of any project.

1 2 3 4 5 I am a leader of people. Others look to me for direction.

1 2 3 4 5 I realistically assess my talents and abilities.

1 2 3 4 5 I ask for advice from experts in fields in which I need help.

1 2 3 4 5 I am thorough and I accurately complete tasks I begin.

1 2 3 4 5 I enjoy solving problems and see obstacles as opportunities.

- 1 2 3 4 5 I schedule my day and my activities and stick to my schedule.
- 1 2 3 4 5 Taking risks gives me a feeling of excitement.
- 1 2 3 4 5 I delegate work to others and remove myself from the project, accepting their processes and results.
- 1 2 3 4 5 I usually bounce back very quickly after a setback.
- 1 2 3 4 5 I am willing to devote myself to my business.
- 1 2 3 4 5 My attention is not easily diverted from tasks.
- 1 2 3 4 5 I have a planned budget that I do not exceed.
- 1 2 3 4 5 I don't usually buy from door-to-door or telephone solicitors.
- 1 2 3 4 5 I accept responsibility for the outcome of projects I undertake.
- 1 2 3 4 5 Disappointments and delays do not deter me from plans or goals I have set for myself.
- 1 2 3 4 5 I am goal-oriented and have a 1-year, 5-year, and 10-year plan.
- 1 2 3 4 5 I know how much money is in my personal spending account and keep track of spending.
- 1 2 3 4 5 After much prayer, I feel strongly that God is leading me to start a business.

**Scoring:** Add the circled numbers. If you scored 80 or above, you should have no problem operating your own business. If you scored below 60, you may want to look at those items in which you scored the lowest and ask yourself, "What prevents me from doing those things?"

*The Entrepreneur Appraisal was developed by career counsellor, Valerie Acuff and is reprinted by permission of HomeWork: The Home Business Newsletter with a Christian Perspective, a resource for home business, [www.homebusinessmag.com/newsletter-archive/](http://www.homebusinessmag.com/newsletter-archive/).*

### Time - Energy - Family

A realistic evaluation of the time commitment required to start and operate a business is essential. Solving one problem after another will require energy — both physical and emotional — which comes from your drive and enthusiasm to see a project completed. Starting a business can be a consuming experience, and frequently marriages and families suffer, even to the point of break-up. Consider these questions in this area.

1. Do you understand the time commitment required to see this undertaking through successfully?
2. Are you a high energy person? Is your enthusiasm so high that your work will seem like play?
3. How will the business affect your relationship with your spouse?
4. How will the business affect your relationship with your children? Will you be able to spend quantity time with your family, as well as quality time?
5. How will your business endeavours affect your relationship with the Lord?

### God's Will

Review the section on *motivation* (see page 2). Consider your true motivations for pursuing this course of action in light of what you believe God would have you do.

1. Have you truly sought God's will in this decision?
2. Will this decision enable you to better glorify the Lord in your work?
3. Do both you and your spouse have peace in the decision that this is truly God's will for your life?

### Conclusion

We have taken you through the above issues because they cover the "Hall of Horrors" museum of common mistakes made when starting a business. It is not intended to discourage you but to assist you in making a good decision.

Remember that every situation is different, so every issue we have discussed won't apply with the same significance. If you are going to sell homemade pies to your friends and neighbours, your situation is fairly simple, but if you expand into a small baking operation that employs several people, your situation will be quite different.

We can't overemphasize the importance of prayerful and patient consideration in making a decision to start a business. Do your homework, and let the Lord guide you into His will.

## **Resources**

### **Business by the Book**

Business by the Book is a step-by-step presentation of how businesses should be run according to the creator of all management rules. Cost: \$32.00

### **God's Principles for Operating a Business**

Do you have the desire to do more in the marketplace than just make money? Ever wonder how God would operate a business? God's Principles for Operating a Business will help point the way to achieving business success God's way. (11 CDs, 1 outline) Cost: \$95.00

### **Business by the Book Workshop**

A video workshop course that teaches businesspeople in all walks of professional life how to practically achieve success and conduct business according to biblical principles. Can be run as a one-day seminar or in six one-hour sessions. Cost: Workshop kit (DVD, Leaders guide, workbook) \$135. Extra workbooks: \$20

### **8-week Business by the Book small group bible study**

Topics covered include; ownership and purpose; leadership; finance; human resources; organisation; marketing; and planning. Homework includes bible study and practical applications / case studies. Cost: \$37.50, Leaders guide \$22.50.

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