Before going into business...some advice

Beginning your own business can be a risky venture. Since this will probably be the most important decision you will ever make, there are several questions that must be answered.

By Ramona E. Henderson
CPA Partner

There are advantages and disadvantages to weigh in going into business.

To run a business of your own will give you greater independence. It will give you an opportunity to use your own ideas. You will be the top man. No one can fire you.

It could mean higher income. You could collect both a salary and profits or return on your investment. Your business will give you a greater sense of pride.

Then too, you will have the great satisfaction of building a valuable investment for which there will be a market.

These are some of the advantages and pleasures of operating your own business. But let us take a look at the other side.

If you have employees you must meet a payroll week after week. You must always have money to pay creditors — the man who sells you goods or materials, the dealer who furnishes fixtures and equipment, the landlord, the tax collector and many others.

You must accept sole responsibility for all final decisions. Wrong judgement on your part can result in losses not only to yourself but to your employees, creditors and customers.

To overcome these disadvantages and keep your business profitable means long hours of hard work. Invariably when you become your own boss you will work longer hours than when you were working for someone else.

Then, after all, you will not be entirely your own boss. No matter what business you choose — whether a manufacturing, wholesaling, retailing or service business — you must satisfy your customers.

It is important to realize that to start a risk.

Then too to start such a business without enough advanced planning and without seeking the information necessary to run the business is to increase the risk of failure almost to the point of certainty.

There can never be too much planning for undertaking a business venture. It is very important that the initial planning begin with a determination that you are the type and end with some feel for the return on your investment.

After you know these things, you can begin to involve yourself in specifics surrounding the type of business you have decided to obtain and the management thereof.

Is Business For Me?

You will be your most important employee. It is more important that you rate yourself than it is that you rate any prospective employee.

From the viewpoint of operating your own business, appraise your strong points and weak points. If you recognize you are weak in salesmanship, you know it and cover that deficiency by hiring the best sales talent you can afford.

Try to rate yourself objectively. You should attempt to answer such questions as: Am I a self-starter? Do I have a positive and friendly interest in people?

Do I possess forceful leadership and the ability to inspire confidence and loyalty in my employees? Do I seek and welcome responsibility?

Am I industrious and capable of working long hours? Can I make quick and accurate decisions?

Am I sincere? Am I energetic at all times?

The answers should cause you to become aware of your own characteristics.

What Are My Chances of Success?

Your chance of success depends upon a number of factors. Some are internal and others are external. The external factors are generally beyond your control.

Internal factors include your being the type for business, choosing the right kind of business by virtue of your background, keeping abreast of changes in your market and being a good manager.

External factors include adverse changes in the weather, government regulations, changes in the physical environment and generally poor business conditions due to inflation, depression, war or changing societal needs.

The number of businesses in the country continues to grow. Each year's growth is the net result of businesses started and businesses which have failed.

As a general rule, poor business conditions are good, by a larger than average number of failures or disappearances, causing the total number of business firms to drop. If business conditions are good, the total number of business firms tends to increase.

Over the long run, the number of firms increases along with the population and industrial growth of the country.

What Will Be My Return on Investment?

Should you invest your money in the stock market, bonds or insurance instead of a business? This is a major factor to be considered before venturing into business. Frequently a person has invested money in his own business thinking that the return will be greater than any other investment.

Attempts to find out what the average, local if possible, return is on a dollar invested in the business which you are considering. One of the ultimate goals in investing in general is to recapture your invested dollars through profits.

A number of publications are available which can supply answers to these questions. An organization which publishes such information is the Small Business Administration.

Remember in order to be a successful planner for business, first know yourself, then the kind of businesses there are to choose from and that are best for you. Determine your chances of success and the ability to obtain an acceptable return on your investment.

What Kind of Business Should I Choose?

You might start by writing out a summary of your background and experience. Include that obtained on jobs, in school and from your hobbies.

Then write down what you would like to do. Try to match up what you would like to do with what you have done.

In making your selection, remember the more experience and training you've had which can be put to a direct use in operating a particular enterprise, the better your chances of success.

Consider your own background. Your education, experience and hobbies are important factors.

Pick the field you know most about. The best way to obtain knowledge of a business is through actual experience in it. If you feel otherwise qualified, but lack sufficient training, seek a job working with someone else in the business you are considering.

Try to find a position in a well-managed, successful company. Then absorb as much management know-how as you possibly can.

You will need every minute of experience you can get. Experience in other types of work may teach you something about general business policies and operating methods. The transfer of experience from one type of business to another is often practicable.

Education will help too. While there are usually no educational requirements for starting your own business, the more schooling you have the better you should be.

In most businesses you must know how to figure interest and discounts, keep simple records and conduct necessary correspondence.

Next make a sincere effort to determine the best you can whether customers or clients will like the type of business or service you wish to establish. The business should be in tune with the trend of the times.

Choose a field in which expansion is logically expected. Study surveys and seek advice and counsel.

Expressed, implied house warranties

By Mel de Rutledge Jr.

Isn't it ironic that a new $50 household appliance comes with a manufacturer's warranty while a new $50,000 house does not?

Or think about your last car purchase. Would you have bought that new car if it had not been covered by at least 12-month or 12,000 - mile warranty? Probably not.

Yet, when the single biggest investment of a lifetime is made, buying a new home, warranties are not expected.

But with the consumer movement in full swing, warranties on new houses are not a thing of the future. They are available today.

Boost Builder's Image

Builders across the country are discovering that offering a warranty on a new home makes it more marketable. Home buyers expect a house that is sold with a warranty to have a better design and better quality materials and workmanship than a comparably priced unwarranted house.

More important, they expect that a builder who warrants a home will be available during the warranty period to carry out his part of the bargain and correct problems as they surface.

In other words, the warranty is read to reveal something about the builder — that he is not a fly-by-night. It is a good image to project in light of the fact that Federal Trade Commission studies show that new home defects rank among the top consumer problems in the country.

Here's HOW

Some jurisdictions, such as New Jersey and Minnesota, now require insured warranties on newly constructed homes. Segments of the industry have adopted their own warranty protection plans.

The Home Owners Warranty Program (HOW) was created five years ago by the National Association of Home Builders. The purpose of this program is to provide house

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—Urban League

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ticipating personnel representatives.

High unemployment continues to plague our community, particularly blacks. On overall unemployment, Dr. Robert Hill, director of the National Urban League's Research Department, stated in the 1978 NUL State of Black America; "Even according to the official Labor Department count, unemployment failed to decline among blacks as it had among whites over the past year."

Dr. Hill further stated: "Although official unemployment eased down among blacks from 13.1 to 12.3 percent during 1978, it fell more sharply among whites from 6.2 to 5.4 percent."

Local figures published by the Research and Analysis Division of the Maryland Deparment of Human Resources covering a period from January to October 1978, listed unemployment figures in Baltimore City ranging from 5.8 to 9.2 percent.

However, these figures include rather than isolate black unemployment in the city. Based on the national figures, it is logical to assume that black unemployment in Baltimore city ranges from 10 to 18 percent for black adults and 40 to 50 percent for teenage blacks.

The private and public job markets continue to get tighter. Area private employers are making an effort to provide equal opportunity in their hiring practices. In the same light, labor force expansion which is needed to decrease unemployment is not taking place as a result of the dismal economic condition of the nation.

This leaves very few options for the hard core unemployed who possess fewer job skills as well as lower levels of education. Therefore, the department refers persons to area training programs whenever possible so that they can be eligible for various employment opportunities. Staff will continue to investigate other areas of possible employment opportunities during the coming year.

For 1978, the department served a total of 1,213 persons and placed 117 persons. When calculated on a yearly basis, these placements generated over a half million dollars back into the economy.

There are no overnight solutions to the problems of unemployment, inadequate housing, escalating cost of health services and a lack of quality education.

Just as important are the problems faced by our youth which demand immediate attention and relief, and it is our belief that these problems can be solved with the implementation of programs on both the local and national levels.

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Provident receives National Energy Watch award

Provident Hospital recently became the first hospital in the nation to receive the Edison Institute's National Energy Watch Award for its electrical energy conservation efforts.

This honor is awarded only to those commercial, industrial and institutional customers that demonstrate a significant improvement in their energy.

According to Arthur Hudgins, vice - president of Support Services at Provident, "We recognized the need to reduce the hospital's energy consumption and, therefore, began an aggressive search for ways to conserve."

The hospital's first step was to hire energy management consultants to conduct a hospital-wide energy audit. The audit identified areas where conservation efforts could be directed and almost immediately a two phase program was implemented.

Phase one involved the purchase of $35,000 worth of energy control equipment. This initial investment resulted in a savings of over $125,000 in energy cost in one year.

The largest single savings resulted from the automatic shut down of non-critical air handling units for approximately 10 hours nightly.

In addition, failer controls were modified to eliminate the cold, start-up surge of electrical power which had resulted in costs of over $6,000 in additional electrical demand charges.

An automatic surface blowdown system was installed to reduce the frequency for washdown of sludge that accumulated in the electric boilers and which drastically lowers their temperatures.

Piping was installed to recover large quantities of hot, treated condensate being drained to sewers and returned it to the boilers. The Peak Demand Load Shedder, which watches selected heavy equipment and sheds any unusual surges of electrical power, was reprogrammed for more effective control of surges.

To top off the first phase of the conservation program, spring light switches were installed in storage and machine rooms where mechanics often forget to turn off lights.

Hudgins says that the hospital anticipated additional benefits from the program such as extended life of equipment because of reduced running time and refined methods of operation.

The second phase of the conservation program is now underway. The consultants have identified several additional potential energy saving devices which are currently being studied.

Among them are the hookup of the load shedder to an automation panel of more accurate observation of selected equipment loads, the control of hot water temperatures according to demand and careful reductions in the operation of our 350-ton chiller.

ENERGY AWARD — Provident Hospital President Thomas W. Chapman (L) and Col. Arthur F. Hudgins, vice president, support services, were recently presented the distinguished National Energy Watch Award for the hospital's energy conservation efforts. Making the presentation was Raymond C. Bryant, vice president, consumer services, Baltimore Gas and Electric Company.

—House warranties

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buyers with long - term assurance on new homes.

More than 11,000 builders nationwide now participate in HOW, which is operated by the Home Owners Warranty Corporation's subsidiary of NAHB. This company licenses local HOW councils that carry out the program on a regional level.

All the states except Arkansas and Massachusetts have approved HOW, using the New Jersey and Minnesota warranties as models. (Jersey builders offering HOW are exempt from the state warranty requirements).

HOW HOW works

How HOW works is rather interesting. Local councils consist of member builders who meet performance, financial and technical qualifications. Once selected, all the houses constructed by a member builder are covered by HOW.

For a year after the house is sold, the builder guarantees his workmanship, materials and structural components according to standards set by local council. Structural components as well as plumbing, heating, electrical, and cooling systems are covered during the second year.

Should the builder refuse to honor the warranty, go bankrupt, or otherwise vanish, insurance takes over completely, and affords protection through the 10th year of ownership on major structural defects.

HOW's price, $2 per $1,000 of sales price, is initially paid by the builder and, of course, is passed on to the buyer. The 10-year coverage remains in force and unaffected by a sale of the house during that time.

Protected houses include the possible waiver of VA inspections when processing loan applications, as well as slightly favorable interest rates in some areas.

It should be noted that while HOW is a highly regarded program, it is not only warranty protection program available. Witnessing HOW's success, many title insurance companies and national real estate broker franchising organizations have followed suit, offering comprehensive warranty plans of their own.

Most do not require inspections unless structural defects are covered. The average policy costs about $250 a year and may well be worth the price. Such policies are also available for used homes and can be purchased by sellers to make their houses more marketable.

Just because a home is not protected by some form of expressed warranty does not mean that a homebuyer will be left out in the cold if trouble develops.

Court decisions in about 30 states have held that the very act of selling a new home creates an implied warranty even though no expressed or written warranty was made by the seller.

Even in areas where no legal obligation exists to warrant used homes, a trend is clear. An increasing number of state legislatures are passing warranty bills designed to protect buyers of new homes.

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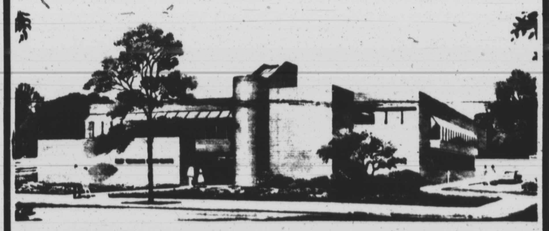

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