

# Choosing a Business for Yourself



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## **Introduction to SMEDA**

Small and Medium Enterprises Development Authority (SMEDA) is an apex SME development agency working under the Ministry of Industries and Production (MoI&P), Government of Pakistan. In pursuit of its mission, SMEDA has adopted an integrated strategy that comprises SME sectors & clusters development, Business Development Services (BDS), and Policy advocacy to protect and promote SME interests.

SMEDA offers a broad spectrum of business development services to SME which include prefeasibility studies, identification of experts and consultants, delivery of need based capacity building programs in addition to business guidance through help desk services.

## **Purpose of Document**

This document is a basic guide for aspiring entrepreneurs especially those without business experience who are interested in starting a new business. Potential start-ups and entrepreneurs who are unsure about what business they should get into, and are exploring their options are advised to go through this guide first.

## Choosing a Business for Yourself

Choosing which business to get into can be a difficult task, especially if you have a lot of ideas, but cannot make up your mind. You will need to consider a number of factors in your decision making process. Review the following list of steps as you choose a business:

### 1. Know Your Interests and What Drives You

You will be content with your occupation, if it is in line with your values and passions. Identify your ambitions and aims about the type of work you would like to be associated with. The easiest way for entrepreneurs to remain motivated (and go the extra mile when needed) is to do what they are passionate about.

### 2. Identify your Demonstrated Skills/ Abilities

List down all your demonstrated skills and abilities. This can be similar to making your C.V. when you apply for a job, except you are making this for your own scrutiny. Identify any activities you can do reasonably well, which may be useful in any way towards becoming an entrepreneur/business owner.

#### SWOT Analysis

Assess internal capacities on the basis of Strengths and Weaknesses and external environment through Opportunities and Threats.

When identifying your abilities and skills, also mark out your weaknesses. Gaining a perspective on your weak aspects will help you overcome potential problems when starting your business. When you understand your skills abilities and weaknesses you are in a better position to plan your future.

### 3. Look at your Experience

When deciding an occupation, generally it is safer to enter a business about which you have adequate knowledge and a reasonable amount of first-hand experience. This is especially true when you are looking to enter technical or specialized businesses such as vehicle workshop, beauty salon or a pharmacy etc. One way to gain some experience in your field of interest would be to obtain a job in some firm, which is part of the same industry

### 4. The Business Environment

Keep your eyes and ears open for any opportunities that may arise in the market, which can be converted into a business or used to enhance your existing (if any) business.



Analyze the environment your business will be operating in. Look at government policies and see which industries are being promoted or discouraged and predict likely trends. Also identify your target market and observe how environmental, technological and economic factors are

affecting their buying patterns.

This exercise typically requires extensive research but for a startup simply being mindful of the factors that may affect your business can be extremely helpful in determining the direction you should take.

**Hint:Remember Logistics**

While researching the market, remember to look for availability of suppliers, distributors, storage facilities or any other supporting businesses you might require for your supply chain. For e.g. Restaurants will require dependable sources of fresh ingredients as well as on the spot storage facilities.

**5. The Money Aspect**

You will need to make money, not only to run and grow the business, but also to fulfill your day-to-day needs. Therefore, any business you select should have a reasonable profitability potential.

The startup finances associated with any business will need to be arranged by the entrepreneurs. In order to raise finances the entrepreneurs can:

- The best source of financing a business is through money personally arranged by the entrepreneur(s) – also known as bootstrapping. Bootstrapping allows the entrepreneur to maintain 100% ownership of the business but may also limit the amount of funds that can be made available. Arranging personal finances to start a business remains the most common source of funding for startup entrepreneurs in Pakistan.
- Obtaining investments through your social circle of friends and family is also an option; this may require adding one or more investors as sleeping partners in your business. It is helpful to define clear deliverables and

milestones you plan to achieve by utilizing funds received. Communicate your funds utilization plan to the investor to gain confidence and ensure transparency.

- If your business idea is very innovative and different, it is a good idea to pitch it to business incubators or accelerators like National Incubation Centers, Plan 9, ORIC etc., and any other government or private sector fund facilitators. Business incubators are gaining recognition amongst startups for the financial and advisory assistance they provide.
- Going to banks for direct financing of your business is not usually feasible for startups (unless you have a banking relation based on an already existing business). Sometimes entrepreneurs take personal loans from banks by using their assets as collateral, however this practice can expose you and your family to unnecessary risk.

## **6. Make a Decision and Justify It**

Certain businesses will require more time and effort from the owners as compared to others. Be informed about what you are getting into when selecting your business.

Once you decide to start a particular business, justify that decision to yourself along the following lines:

- This business is in line with my core values based on these reasons
- This business will help me achieve my personal life's goals if I succeed in it
- It will be helpful to my community