

Chapter IV

Starting Your Own Business

Surveys among men in the Army showed a huge interest in a business of their own. Many men in other branches of the service also want their own business. What were the reasons behind this desire?

"The GI Bill of Rights"

One reason behind it was no doubt the passage of "The GI Bill of Rights." Parts of it are aimed directly at helping the would-be independent businessman.

One major benefit is the Government guarantee of part of the loan you make from some other source. Some individuals have the mistaken idea that the Government gives veterans money to get started in business. It doesn't. Here are the facts:

1. The Government does not make either a gift or a loan to veterans. But it will guarantee up to half of the amounts borrowed by you under certain conditions, provided that the amount guaranteed does not exceed \$2,000. For example, if you borrow \$3,000 from a bank or other source, Uncle Sam pledges that if you are unable to repay the full amount, he will pay back up to 50 percent, or \$1,500. If you borrow \$5,000, the same promise is good for \$2,000 of your loan, since that is the maximum amount. You're still responsible for the debt, however. The advantage of this assistance is obvious—it helps you borrow money.

2. On the part of the loan which has been guaranteed the Government helps you even more by paying the interest for the first year.

3. The money must be used for the purchase of business, land, buildings, supplies, equipment, machinery, tools, livestock, implements, or for the repair, alteration, or improvement of farm buildings or equipment. The purchase price must be "reasonable" and there must be a fair chance of success in the undertaking. Your experience and the usefulness of the business will be considered in judging your chances for success.

4. This guaranty is for all veterans who have been discharged under other than dishonorable conditions and have served ninety days on active duty since 16 September 1940. Those who have been discharged because of injury or disability incurred in line of duty are eligible for the guaranty no matter how long the period of service was.

Another benefit of the GI Bill is the financial help you'll get if things don't go as you expect them to when you start your business. If you are fully engaged in self-employment and your net business earnings are less than \$100 a month, you may receive the difference between your actual net earnings during the previous month and \$100, for a period up to 10½ months.

What's Been Happening in Self-Employment?

During the war the trend was downward among the self-employed. In April 1944, there were about one million fewer persons in their ranks than there were three years before.¹ The main reasons for the decline were growth of the Armed Forces, cut in consumers' goods, and rationing.² Retail trade, the largest nonagricultural self-employment field,³ showed sharp reductions in each of the following:⁴ Apparel and accessories, appliances and radios, auto dealers, drugs, eating and drinking places, filling stations, general merchandise, general stores with food, grocery stores, hardware, home furnishings, liquor, lumber and building supplies, meat and seafood, shoes.

Savings and the large backlog of demands may give small business a postwar shot in the arm. From 500,000 to 1,000,000 new concerns may be required to satisfy all these demands and to fill out the ranks of self-employment which were thinned during the war.

Advantages

If you want to be your own boss, do things your own way, and possibly make a lot of money if the business becomes a success, a business of your own is what you want. You'll have a variety of duties—buying, selling, keeping records, advertising, and all the other activities a business must do—and probably plenty of opportunities for personal contacts.

You may not need much money to get started, but it's important to remember that what's easy for you may be just as simple for thousands of others.

Disadvantages

But is being on one's own all gravy? Not by a long shot!

It may mean competition with all others who own their business and with large companies who can afford to buy national advertising, and the problem of surviving periods of loss. It means dealing with a buying public who are shrewd bargainers for their money's worth.

The average life of all business in the United States is a little more than five years, but one out of three new concerns vanishes within a year; only half last long enough to celebrate their second birthday.¹ And the small business suffers most.

Failure isn't a little thing, either. It doesn't mean just going out of business, for in addition it can wipe out your savings, sink you in

¹ Research Memorandum No. 11, Information and Education Division, Army Service Forces, U. S. Army, 15 August 1944.

² Research Memorandum No. 2, Information and Education Division, Army Service Forces, U. S. Army, 26 May 1944.

³ Research Memorandum No. 12, Information and Education Division, Army Service Forces, U. S. Army, 25 August 1944.

⁴ Research Memorandum No. 10, Information and Education Division, Army Service Forces, U. S. Army, 4 August 1944.

debt, and prove so discouraging that you may not have the energy or courage to start again.

Business on your own points to long hours, too. During June 1944, farmers working for others averaged 58 hours a week on the job; farmers on their own put in an average of 10 hours more each week. In nonagricultural pursuits, the self-employed man worked 8 hours a week more than those employed by others.⁵

Now that the war is over, the length of the workweek for most employees is turning downward (with the slacking off of overtime) while the fellow on his own will often put in even more hours when early closing hours are abandoned and more products to sell become available.

Success and Failure

Your success in the business you choose depends on a number of factors: Type of business, location, your experience, interests and education, the contacts you have. But most of all it depends on you—your willingness to accept responsibilities and your ability to keep your finger on the many parts of a growing business. Different businesses require different personal characteristics, but most of them need the ones listed below; check yourself, and see how many you think you have:

1. An interest in people and the ability to meet and get along with them.
2. A background of training and experience in your own type of business.
3. The ability to express yourself plainly.
4. Energy, endurance, and willingness to work long hours.
5. Financial reserves.
6. Honesty and dependability.
7. Enough basic arithmetic to figure costs, selling prices, interest rates, and taxes.
8. The ability to analyze present and future business trends.
9. An understanding of customers' needs and desires.

You can get along without some of these abilities, of course. You may be a dud at arithmetic, or unable to speak English clearly or write it legibly, and still be a success. However, the dice will be loaded against you.

Experience is one of the essential keys to a successful business future, a factor which naturally is closely related to how old you are. In 1940, only one-fifth of all men operating a business of their own were under 35. The average age of all salaried workers was 36; the average age of all employers was 46.⁶

⁵ Research Memorandum No. 8, Information and Education Division, Army Service Forces, U. S. Army, 17 July 1944.

⁶ Research Memorandum No. 7, Information and Education Division, Army Service Forces, U. S. Army, 10 July 1944.

Retail Trade

Most typical of small business is retail trade, the largest area of nonagricultural self-employment in the United States. Capital requirements are usually small; examples are small grocery, candy, nut and confectionery, accessory, tire and battery stores, as well as restaurants, lunch rooms, and cafeterias.

Competition will be keen; you have to expect it. It will come from other new competitors and from the big-time operator with a chain, or big, swanky spot that can buy and sell you a hundred times. You have to meet that competition by figuring pennies when you buy, being the kind of man your customers like, having what they want, and being in a convenient location.

Construction

Construction is one of the better postwar fields and should offer opportunities for small business. Small businessmen have always been a big factor in the construction industry, since homes, stores, and factories are usually on a "made-to-order" basis. In 1939, the small construction firm accounted for 9 out of 10 construction companies in the United States.⁷ A small initial outlay might get you started, since the common type of construction job needs only small units of equipment and much of it can be rented.

Competition is extremely keen, skill is absolutely necessary, estimates must be made with painstaking accuracy—those are a few of the points you have to consider. While important to business in general, business cycles and weather are especially dangerous to the small construction firm unless it has a financial reserve. A high rate of failure and seasonal unemployment may discourage you.

Farming⁸

The Federal and State Governments are ready to give fledgling farmers plenty of help in the form of land grants, long-term credit, crop insurance, free literature on all farm problems, courses in farm-

⁷ Research Memorandum No. 12, Information and Education Division, Army Service Forces, U. S. Army, 25 August 1944.

⁸ Shall I Be a Farmer? U. S. Department of Agriculture.





ing, on-the-farm advice by experts, soil analysis, land appraisal, and other aids to financing, managing, and cultivating a farm.

Experience and personal qualifications are extremely important, and adequate capital may spell the difference between success and failure if you buy your own farm. You must continue to invest in your farm in hours and dollars until it reaches a paying basis. Working hard physically in all kinds of weather, fighting insects, weeds, floods, and droughts, continuous care of your livestock and crops, working in comparative isolation with few of the city conveniences—those are some of the things you must consider, particularly if you were city-bred.

But there are plenty of advantages, too—security from unemployment, independence, a healthful outdoor life, variety, small personal and household expenses, the satisfaction of seeing things you have planted and protected grow into something useful, a good place to bring up children.

Commercial Services

One of the most popular fields of self-employment is in providing commercial and personal services such as auto repair shops; barber shops; beauty parlors; cleaning, dyeing, pressing, alteration and repair shops; laundries; photo studios; printing and publishing shops; radio repair shops; shoe repair shops; watch and jewelry repair shops.

From 1940 to 1942, service establishments suffered the highest percentage rate of discontinuances among all industries. An upturn in activities during the postwar years can be looked for when materials and the people to handle them become more available.

Manufacturing

The manufacturing field is relatively unimportant for one-man enterprises. Next to mining, manufacturing ranked lowest in the proportion of workers who were self-employed in April 1944.⁹ The business death rate among small manufacturers is higher than for the larger manufacturers, but lower than compared with other small businesses.

⁹ Research Memorandum No. 2, Information and Education Division, Army Service Forces, U. S. Army, 26 May 1944.

Some of the lines requiring little capital are baking, barrel staves, baskets, rattan and willow ware, wooden furniture, cement blocks, candy, metal work, glass specialties, lamp shades, sawmilling, work clothing, umbrellas, leather specialties, fruit and vegetable canning, commercial and job printing.

Your estimate of starting expenses must include the cost of equipment and its installation, rent, stock of materials, operating and living expenses. Trade skill, a knowledge of your product, managerial skills (such as accounting, selling, advertising and production methods), putting in long hours are all important items to consider.

Professions

In some professions, the self-employed constitute a large percentage of those engaged in them; dentistry, osteopathy, and medicine are examples. Earnings among professional men and women are much higher than among the United States population as a whole. Even in the depression year of 1935-36, the families of salaried and independent professional workers had higher incomes than others in the United States.¹⁰ Maximum earnings were made by those over 35 years old, so again the importance of experience comes into the limelight.

The decline in college enrollment is significant in connection with opportunities in these fields. From 1939 to 1943, there was a decrease of more than 200,000 in the number of students in institutions of higher learning, occasioned almost entirely by the war. Now an increase over prewar registration is expected.

Testing Yourself

Deciding whether you want to go into business and all the other problems related to that decision isn't something you can do in a few minutes. If you find that you have solved all your problems regarding this question within that period of time, it's 100-to-1 that you've missed something important. Here are two lists of ques-

¹⁰ Census, United States.



tions which you can ask yourself to find out how you actually feel about this subject. The first group is general, the second more specific.

General

1. Do I get along well with people?
2. Am I willing to face the possibility of long hours and infrequent or nonexistent vacations?
3. Do I like to figure costs, solve many small problems, make decisions that involve money? Am I good at those things?
4. Am I willing to accept responsibilities? Is my immediate family willing to accept its responsibilities?
5. Will my family responsibilities put financial drains on me that may interfere with my going into my own business, or maintaining it?
6. On the basis of my experience and skill, do I really know enough to start a business of my own?
7. What line offers the best opportunity for me? Does its future look promising?
8. What are the advantages of the business I have chosen?
9. What are the disadvantages of the business I have chosen?

Specific

1. What Federal, State, or local regulations or laws will help me get started? ("The GI Bill of Rights" discussed earlier is a good example.)
2. Are there any Federal, State, or local regulations or laws which will make it hard to start or stay in the business I have chosen?
3. Where can I get advice and information on my specific business problems?
4. Where should my business be located?
5. Shall I start a new business or buy an established one?
6. Shall I lease or buy the property needed in the community I've decided on?
7. What types of competition are there in the business I have chosen? Can I meet them?
8. What kind of business organization should I choose—single proprietorship, partnership, corporation?
9. How much money will I need for a safe start? (Take into consideration taxes, materials, rent, insurance, interest, repairs, telephone, transportation, bad accounts, equipment, labor, plus your personal expenses.)
10. How much credit can I get and where?
11. What insurance do I need?
12. Where will I get the necessary equipment?
13. What are my contacts for raw materials or merchandise?
14. How many employees will I need and what types?

15. How shall I select them and what shall I pay them?
16. Who will my customers be?
17. How shall I advertise?
18. What records or accounting procedures do I need? How much do I know about that part of my work?

Although this may seem like a long and laborious process to help you decide whether you should go into a business of your own, the time and thought are not wasted; the conclusions arrived at may govern your entire future life. For that reason it's wise not to speed to a decision without all the facts clearly in your mind. *There is no short cut to a careful analysis of you and your job opportunities.*

Sources of Information and Aid

One source of assistance was mentioned earlier—"The GI Bill of Rights." However, there are many others:

1. The Department of Commerce has specialized in research, publications, and through its regional consultants, counseling in all types of retail problems. Included is help in selecting a location, selling goods and services, where to get materials, how to run a business, and related subjects. Reports of interest to retailers are available at small cost through the Superintendent of Documents, Washington, D. C.

2. The Department of Agriculture is prepared to put veterans in touch with good farming opportunities and acquaint them with farming facts on matters such as land values, soil, climate, markets, credit sources, livestock, investment capital income, and rural construction.

3. The Farm Security Administration provides loans and assures expert advice in farming practices for qualified low income tenant farmers who wish to own the farms they occupy.

4. Federal land banks make loans up to 75 percent of the value of a promising farm, charge reasonable interest, give a long time to pay off the principal, and provide appraisal and farm management advisory service.

5. Agricultural State Colleges, Experiment Stations, and Extension Service study farm problems, publish their findings, and train farmers in farming practice, business management, and financial management of a farm.

6. The Bureau of Reclamation, United States Department of Interior, is planning to make available after the war reclaimed farms to people who have \$2,000 plus several years of farming experience and a good character.

7. The United States Office of Education, Washington, D. C., has compiled a number of handbooks on building operations and trades.

Other important sources of information are the 3,000 chambers of commerce located all over the country, 5,000 local trade organizations, trade magazines, local banks, and men already in the field.