

# STARTING A BUSINESS

## CAN DIVERSIFY, STRENGTHEN INCOME

Abby Perry

What does a construction company that also offers interior design consulting have in common with a family-owned building having a restaurant and a beauty salon?

Diversified income strategies.

Sometimes, a way to diversify, whether by choice or necessity, is to start a business.

A variety of experiences may influence the entrepreneurial path to self-employment or a part-time side business. Perhaps the enterprise has been an entrepreneur's long-time dream, a serviced-based enterprise the entrepreneur has longed for within the community, or an enterprise based on a specific skill.

Once an entrepreneur knows what service he or she wants to offer, there are several questions to answer before taking the plunge into self-employment.

### Will the New Enterprise Fill a Niche?

To compete effectively, focus on business ventures that do not currently exist in your market or determine how a new enterprise can improve upon one that already does. Pay attention to "big ideas" in the community. What sorts of things are consumers interested in? Could pursuing one of those "big ideas" be sustainable over time? Understanding

the consumer will aid in marketing your business.

### Do your Research!

Research and understand what is involved to begin, and sustain, a venture. The U.S. Small Business Administration website ([www.sba.gov](http://www.sba.gov)) has extensive information, from writing a business plan to understanding business financials to a series of free mini-courses.

SCORE ([www.score.org](http://www.score.org)) is a nonprofit association supported by the U.S. Small Business Administration that connects mentors with entrepreneurs and offers a wealth of services.

Most likely the business venture being explored already exists somewhere and, in the age of technology, one can locate and determine what is needed for start-up, where to find the required goods, and associated costs. Ask mentor-entrepreneurs questions such as, "What have you found to be the biggest variable in cost?" and "What came as the biggest shock to you when getting started?"

Understanding limitations and how business may differ across

regions is important. In Wyoming, the harsh climate often limits a variety of businesses, and overcoming the harsh conditions can be expensive.

Explore creative solutions before giving up on an idea.

If the idea of accounting for costs and determining if a business can pay for itself is overwhelming, begin with a list of goods the enterprise requires and determine what those goods cost and how often they have to be replaced.

Remember that, in addition to a business paying for the supplies required for operation, it must also provide the entrepreneur with a reasonable wage. If the entrepreneur has two sources of income, the costs of living can be divided in half; however, the costs to operate the enterprise need to be covered in their entirety by the enterprise in question (there are a few exceptions to this rule).

Once total costs are determined, the next step depends on how the entrepreneur addresses one of two questions: How much production can be done in a day? How much production is necessary to cover costs? The goal is to determine if aspirations for the new enterprise are reasonable.

Looking into variable costs, fixed costs, and how costs change with changes to production can be tricky. Many resources are available to help determine how much work must be

done each month to break-even. That is, the money necessary to cover the costs of the enterprise and the cost of living, as well as the opportunities given up because they are not feasible or within the focus of the venture.

Once the costs, production levels, and rates have been investigated, determine if the enterprise is still worth pursuing.

### Consider the Risks

Every private business owner faces risks and uncertainty. It can be troubling, even daunting, to realize that an unsuccessful business means a family going without necessities and the domino effect of other negative outcomes that can follow. Uncertainties will always be present.

Think about potential risks specific to the business plan you have created and how to overcome those potential setbacks. Will the business be sustainable year-round? If the business is only run seasonally, what are the associated start-up and shut-down costs? Will clientele be lost to other enterprises that stay open year-round? What other avenues of income are available those other times of year to generate important income? How will the state economy affect the business? Is the business one of necessity, or one of luxury?

### People Who Want to Help

If the business venture involves a partner, developing a business plan is critical. Both entrepreneurs might

seem to be on the same page now, but in coming years, while making difficult decisions, consulting what motivated the business in the first place may prove invaluable.

Consult lawyers, bankers, accountants, and business coaches; each has a different specialty that can aid in developing and maintaining a successful business. When applicable, also reach out to the University of Wyoming and county extension educators who are always willing to offer feedback and encouragement to clientele. The Small Business Development Center at UW focuses on educating small-business owners and potential owners on how to successfully start and operate small businesses.

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## SWAPPING DIGGING COAL FOR A PITCHFORK: ONE PERSON'S SOLUTION TO THE ENERGY DOWNTURN

*Jennifer Hinkhouse*

Many people in Wyoming derive their families' income from natural resources extraction, whether working in the oil and gas fields, at a coal mine, or other industries.

There has been an increase in job seekers with many of these industries scaling back their workforce. There has also been an increase in people creating income for their families based on unique skill sets and producing products off of their small acreages, from fresh eggs to custom hay.

Scott Hinkhouse was raised in a farming and ranching family in north-west Iowa and spent his youth farming alongside his father and grandfather. Since the farm also produced cattle, "Haying was a big part of our family's operation," Hinkhouse states.



Harry Baugelink - Shutterstock.com

He took the skills learned on the farm and became a heavy equipment operator. Leaving Iowa in the late 1990s, he never thought he would work on a farm again. He started working in the methane fields and eventually worked as an equipment operator for one of the large Powder River Basin coal mines.

After several years of long hours and shift work, Hinkhouse started

looking for new opportunities. That is when he realized it was time to go back to what he knew, what he had always enjoyed, haying.

He started out with an old John Deere 40 tractor, a hay rake, and an old baler.

"I started out putting up small squares in road ditches," he says. Within three years, he was able to upgrade to a 4230 John Deere, and joked about upgrading to a "baler that ties knots."

His haying operation now covers 450 acres, including 150 acres of irrigated alfalfa. The bulk of his operation is small square, hay production geared toward horse owners. He was able to take his career from coal to custom hay, and it all started on a small acreage.