

# Using a Severance Package to Launch Your Own Business? Here's What You Need to Know.

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Laid-off workers are using their severance packages to fund new businesses. That can be a smart move in a bumpy economy – with the right skills and a deliberate approach.

Some 4.4 million new businesses are started each year. A record 5.4 million of them started in 2021, as generous severance packages and pandemic-related government funding helped make entrepreneurship a reality for many Americans.

But a large number of startups fail in the first few years, often because the business owners don't understand the market relative to the product or service they offer. They might have a novel idea, but they don't understand that there may be others doing the same thing, with the same idea.

The challenge for a new entrepreneur is to first meet an unmet need, and secondly, to do it better than all the others who are targeting the same market.

A coffee shop, for example, has to provide a good product, a great customer experience and an unbeatable location. It has to stand out from all the other coffee shops in the neighborhood. To do that requires in-depth market analysis – which takes time and isn't cheap – in addition to a solid business plan and sufficient financing.

Starting a business isn't just about a market and motivation. Being a successful entrepreneur also involves identifying

necessary skills gaps to succeed and knowing how and where to fill them.

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## Skills every new business owner needs

Financial literacy is one. What are the startup costs and tax implications of starting a new business? Should the business be structured as an LLC or a sole proprietorship? How much does it cost to develop the product or service? What's the best way to determine pricing? Those are just some of the critical questions to ask on the front end. There are longer-term considerations as well, such as offering a quality customer experience to keep customers coming back.

A detailed business and financing plan is a must. It's important to understand how to generate revenue, as well as how to manage costs associated with developing and launching a product or service. Some business coaches often recommend leveraging personal or family finances rather than seeking venture capital, which can be hard to find and comes with ROI (return on investment) requirements and performance metrics.

Of course, there needs to be a customer. That's the purpose of a business, to quote marketing expert Peter Drucker. It's important to find out what excites customers and how to reach them.

But no customer is going to be interested in a business that doesn't have a value proposition. Customers need to see how the product serves them. Does the product fill a need?

# Other critical considerations

Before starting a business, it's critical to think about whether you really understand the ins and outs of running an organization, and whether you're familiar with the market sector you're targeting. If you're starting a business in a sector you haven't worked in, you may need to consider a partner who's familiar with that market. Many people who start businesses have great ideas but aren't always the best equipped to run them long-term.

It's not necessary for every business owner to have all the needed skills on day one. Taking several months to learn product development, then diving into marketing and operations might be a good way to proceed. Finding a partner who can fill some of your skills gaps is another idea.

There are ways to acquire skills once you know where the gaps are. "Upskilling" courses can help a new business owner learn the ropes. "Micro-credentials," such as those offered online or through community colleges, can add value to a new brand. Artificial intelligence can help with business analytics and marketing communications. Some entrepreneurs have been leveraging AI to write and implement business plans.

A support network can be extremely valuable. Owning a business can be isolating, especially in the beginning. Maintaining or establishing relationships with former colleagues, particularly those who have different skill sets, can make all the difference when you're trying to answer questions you're not overly skilled at answering.

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Starting a business is not for the faint of heart, but it can be rewarding. And if, after a few years, entrepreneurship hasn't lived up to the dream, a business that's managed well

and is profitable may be attractive for acquisition by another company.

Either way, it's important from the outset to know where your skills gaps are and start figuring out how to fill them. If you think you have a great product or service, you just might have what it takes.

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