



Entrepreneurs

The 20 Most Important Questions In Business

Christopher Steiner and Brett Nelson 06.17.10, 6:20 PM ET

Entrepreneurs can't completely inoculate their businesses from the vagaries of the market. What they can do is wrestle with the fundamental questions that govern the fate of any enterprise. We've done our best to compile the 20 most important ones.

Digging for those answers is a grueling exercise--one that takes serious intellectual and emotional honesty. With any hope, the process begins long before money's been spent, products are built and customers are lost.

The real challenge, though, is to keep digging. As businesses grow, new opportunities and threats emerge, and yesterday's answers probably won't suffice. Relentlessly asking the tough questions is how the Microsofts, Wal-Mart's, Hewlett-Packards and Googles stay on top.

Checklist: The 20 Most Important Questions in Business

Video: Jobs Women M.B.A.s Pursue

With that essential struggle in mind, we present the 20 most important questions entrepreneurs need to answer--and keep answering--to build thriving businesses. Some highlights:

What is your value proposition?

If you can't explain--in three jargon-free sentences or less--why customers need your product, you do not have a value proposition and thus, you do not have a business. Period.

Does your product address a viable market?

Seinfeld's Kramer was convinced that the Mansierre (a bra for men) was his ticket to riches. Not that he did any research to confirm that there was a viable market, let alone one large enough to attract investment capital. Never assume you can create demand where it hasn't already been expressed. Don't hawk the next Mansierre.

What differentiates your product from the competition?

It's true that Starbucks made people believe they wanted \$4 caffeinated concoctions, and Louis Vuitton lulled people into shelling out \$1,500 for denim handbags. But marketing alone won't cut it. If you want to win in business, you need to deliver tangible value where other companies don't. Examples: rock-bottom prices (Wal-Mart); ingenious product design (Apple); extreme convenience (FedEx). Find your edge and hammer on it.

Does the business scale?

The difference between modest wealth and obscene riches is "scale." Scalable businesses are those that can produce the next widget at a fraction of the cost. Think software: Once Microsoft shelled out to develop the code for its Windows operating system, the incremental cost of printing each additional copy was next to nothing. What models don't scale? Think service businesses, where the need for people grows with revenue.

How committed are you to making this happen?

You have a family and two kids. Are you ready to burn 100 hours a week for the next two years to get your start-up off the ground? Fair warning: If you want to run the show, get ready to give everything--and then some.

What price will your customers pay?

Why will people pay twice as much for Clorox as they will for generic bleach? Who knows, but nailing the upper limits of what customers will pay, be it for an iPhone or a bottle of bleach, is one of the biggest levers in any business model. Consultants get paid handsomely to help companies arrive at the right price. For more affordable advice, check out "[The Six-Step Guide To Pricing Your Product](#)." Wannabe consultants should read "[How To Price Your Consulting Services](#)."

How much power do your suppliers have?

The fewer number of suppliers, the more sway they have. A knotty-pine grandfather-clock business may sound great, but what if there's only one source of knotty pine? Answer: You're going to pay. On the flipside, beware getting hooked on hungry, low-cost providers who don't keep an eye on quality.

How should you sell your product?

Dell Computer bypassed retailers and sold directly to customers, with limited tech support. General Motors and Coca Cola rely on distributors to move their cars and cans. Clothing companies like Ralph Lauren work both internal and external channels. And Apple keeps adding more of its own airy and fashionable outposts, complete with live product tutorials and throngs of geeky customer-service agents. Whatever sales method you choose, make sure it aligns with your overall business strategy.

How should you market your product?

Getting the word out about your company--without going broke--is no mean feat. In the mid '90s, America Online spent so much money flooding the planet with free trial software that it tried to mask the bleeding by capitalizing those expenses on its balance sheet. (Regulators later nixed that accounting treatment, wiping out millions in accounting profits.) For a host of innovative and affordable marketing techniques, check out "[16 Must-Try Marketing Maneuvers](#)."

How much cash do you need to survive the early years?

For those who slept through the previous section: Again, mind your cash. Plenty of entrepreneurs boast hockey-stick-shaped financial projections but turn out their pockets before the good times have a chance to kick in. (Remember all those busted dot-com companies from the tech boom?) Hold back on the Aeron chairs and mongo Mac computers until more cash is flowing in than out--and then add plenty of extra cushion.

What is your end game?

Looking to flip your business to the first guerrilla that comes along? MySpace did, Facebook hasn't. Different end games require different strategies. Always be mindful of yours. Not sure whether you want to build the next great empire or just make a decent buck? Ask yourself the following [13 questions](#).

Checklist: [The 20 Most Important Questions in Business](#)