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How to Prepare Yourself to Open a Business

The data indicate that it's wise to earn a four-year degree. One consultant urges forgoing college to gain industry experience. Another cautions that no single formula suits aspiring entrepreneurs

By Karen E. Klein

I am starting a lingerie business. I have a two-year diploma in business management and certificates in bookkeeping and QuickBooks. Should I get a bachelor's degree in marketing and economics and then go to fashion school? Or should I look for a designer and manufacturer to carry out my business plan immediately? —Z.A., Calgary, Alta.

It sounds as if you have the basics down already. Both management training and financial know-how are crucial to small business success. Still, assuming you have the time and money to complete a four-year degree, it's nearly guaranteed to boost your long-term earnings potential and even give you an edge as an entrepreneur.

Yes, there are striking examples of fantastically successful entrepreneurs (think Facebook's Mark Zuckerberg or Microsoft's Bill Gates) who dropped out of college to found their first companies. But unless you can guarantee that you'll have the luck, skill, and timing they had, studies show you're better off finishing your education.

The National Center for Education Statistics, for instance, notes a clear gap in earnings between adults with four-year degrees and those with high school diplomas. The gap has widened significantly over the past 30 years. In 2008, the data shows, young adults with a bachelor's degree earned 28 percent more than young adults with an associate's degree such as yours. Four-year college graduates earned 53 percent more than young adult high school grads and 96 percent more than young adults who did not earn a high school diploma.

"BETTER TO JUMP IN WITH BOTH FEET"

Not everyone agrees that school is the way to go. Sarah Shaw, founder of small business consultancy Entreprenette.com, says full-time college is often "a waste of time" for entrepreneurially minded individuals. "Schools don't teach the practical, everyday ways to handle all the disasters that can happen" when you start a business, Shaw says. "It's better to jump in with both feet. If you're a true entrepreneur, you'll be able to ask the right people the right questions and figure out what you should do."

It's true that getting a business degree won't give you the industry experience you need to start a successful lingerie company. For that, you could take some courses at a trade school that has an apparel institute or fashion design curriculum. An even more cost-effective approach would be to take a job in the lingerie industry, where you can learn first-hand about business models, issues that can hamper success, and how to manage daily operations. If you can do it, take jobs on both the retail and wholesale sides of the industry; seeing the bigger picture will help immensely when you start your own company.

In truth, you could succeed either way, says Robert O. Ball, chief executive officer of OfficeArrow.com, an online community for entrepreneurs. "There is no one-size-fits-all mixture of formal education, experience, and killer business plan that works for everything," Ball says.

If you are determined and are willing to learn—either in school or on the job—you'll do well in business. Good luck.

Karen E. Klein is a Los Angeles-based writer who covers entrepreneurship and small-business issues.