Chapter 1

Do You Have the Right Stuff?

In This Chapter

- Knowing the pros and cons of becoming a small business owner
- Finding the right business opportunity
- Assessing your entrepreneurial spirit
- Looking at timing and resources
- Deciding if you should keep your day job

So you're thinking of starting your own business! Every year, lots of people get the entrepreneurial urge and start businesses. Some of those businesses become very successful. But every year lots of new businesses fail.

Business success or failure isn't the result of fate, or random chance, or (usually) acts of God. A business does well for good reasons — like a great product or service, a solid marketing plan, and the owner's good management skills.

Likewise, when a business goes under, you can often identify the reasons — lack of money to get properly started, poor timing or location for entering the market, or a wipeout on the customer service front. Whatever the reason for a business failure, it usually boils down to this: The business owner didn't look carefully before leaping.

This chapter and the others in this section of the book help you think about going into business before you hit the ignition button and blast off. Think of this first section as "countdown."

Weighing the Pros and the Cons

People start up their own businesses for different reasons. One of the best reasons is that they've found a business opportunity that's too attractive to pass up. A good reason is that they want to work for themselves rather than for someone else. A depressing — but still valid — reason is that their other job options are poor (the number of small business start-ups always rises when the economy sinks).

Whatever your reason is for wanting to become an entrepreneur, you should know that life as an entrepreneur is a mixed bag. Running your own business has some great advantages, but it also has some hefty disadvantages.

The pros

Here are some of the advantages of going into business for yourself:

- **You're free!** You'll have the freedom to
  - Make your own decisions — you're in charge now. Only investors (see Chapter 9), customers and clients (see Chapter 13), government regulators (see Chapter 6), and so on will tell you what to do.
  - Choose your own work hours — in theory, anyway. You may not be able to get away with sleeping in until noon or concentrating your productive hours around 3 a.m. But you're more likely to be able to pick up the kids from school at 3 p.m., or exercise from 10 a.m. to 11 a.m., or grocery shop during normal office hours.
  - Create your own work environment (see Chapters 7 and 8) — surround yourself with dirty coffee cups and overflowing ashtrays if you feel like it.
- **You can be creative!** You can build your business from scratch following your own ideas rather than following someone else's master plan. (See Chapter 3.)
- **You'll face new challenges!** Every day. And twice as many on days that end in a *y*. You'll never be able to say that work is always the same old boring routine.
- **Your job will be secure . . . as long as you have a business!** Your business may fail — but no one can fire you. (You can ask yourself to resign, though.) (See Chapter 18 for information about the depressing prospect of running out of money.)
- **You'll have increased financial opportunities!** If your business is successful, you have the potential to make more than you could as an employee.
- **You'll have tax advantages!** This is especially true if your business is not incorporated (a sole proprietorship or a partnership), but it's also true in a different way if your business is incorporated (see Chapter 6).

The cons

Do you think we used enough exclamation marks in the exuberant Pros section? Bet they got you all enthused and excited about entrepreneurship. But calm down for a minute — being an entrepreneur has plenty of disadvantages, too. For some people, they outweigh the advantages. For example:

- **You may not make a lot of money.** You may make enough money to live on, but it may not come in regularly like an employment paycheque, so you'll have budgeting problems. Or you may not make enough money to live on. You may not even make any money at all. You may go bankrupt and lose not only your business, but most of your personal possessions as well. See Chapter 18 for comfort (or failing comfort, at least for information).
- **You lose easy and inexpensive access to employment benefits if you don't hang on to employment elsewhere.** These may be benefits that you have come to count on — extended health and dental benefits, disability insurance, life insurance, a pension plan, and so on.
- **You'll have to work really hard.** That is, if you want to succeed — and you won't just be working at the business your business is about. You'll also have to do stuff you may not be trained to do, such as accounting, sales, and collection work. (But see Chapters 13 and 17 for some help.)
- **You may not have a lot of free time.** You may see less of your friends, family, and pets (even if you're working at home) and have less time for your favourite activities. Getting a business up and running takes more than hard work; it also takes your time and commitment. Don't scoff that you won't let that happen to you, at least not until you've put in hours filling out government paperwork (GST/HST for example — see Chapter 16) on a beautiful sunny day that would be perfect for, well, almost anything else. By the way, you don't get paid for your sacrificed time, either.
- **You may have to put a lot of your own money into starting up the business.** And even if you can borrow the money, unless the lender is your mother and your mother is a sweet, trusting soul rather than a financial shark, you'll have to give personal guarantees that the money will be repaid (with interest) within a certain time. The pressure is building! (For more on borrowing, see Chapter 9.) By the way, not to add to the pressure or anything, but you should know that you might lose your own money or not be able to repay borrowed money because of factors beyond your control. You could get sick (and now you probably don't have disability insurance), be flattened by a competitor, squashed by a nose-diving economy, or whacked by a partner who pulls out on you. (See Chapter 18 for advice on how to deal with some of these problems).

- **You are the bottom line.** No excuses — success is up to you, and failure is your fault. You'll have to keep on top of changes in your field, the impact of new technology, economic fluctuations. . . .
- **Your personal life can stick its nose into your business life in a major way.** If you and your spouse split up, your spouse may be able to claim a share of your business under equalization provisions in the family law of some provinces. You might have to sell your business or your business assets (property) to pay off your spouse. (Chapter 20 looks at selling your business.)

Choosing Your Business

After you're aware of the upside and the downside to running your own business, start considering how people choose a business to go into.

Five main kinds of businesses exist:

- **Service:** Doing things for others, including the professions (doctors, lawyers, dentists, architects, accountants, pilots); skilled trades (plumbers, electricians, carpet installers, bookkeepers, renovators, truckers, carpenters, landscapers); and a huge range of other things for which you might need a lot of training and skill, or at least some talent and willingness. We're talking about music teachers, financial planners, real estate agents, painters, insurance brokers, management consultants, taxi drivers, travel agents, dry cleaners, caterers, event planners, hairdressers, equipment repairers, commercial printers, photographers, gardeners, snow removers . . . this list could go on.
- **Retail:** Selling things to the general public, such as jewellery, groceries, clothing, appliances, books, furniture, antiques and collectibles, toys, hardware, cards and knick-knacks, garden accessories, plants, cars . . . this list could also go on.
- **Wholesale:** Buying large quantities of goods from manufacturers at a discount and selling in smaller quantities to others — usually retailers — for a higher price. For example, you could buy nails in bulk from a manufacturer and resell them to hardware stores. Wholesalers sometimes also sell to the general public, usually without the frills of a retail establishment (for example, bulk food, carpets, and clothing).
- **Manufacturing:** Making things from scratch — from designing and sewing baby clothes for sale through a local children's clothing store to making furniture in a workshop to manufacturing steel ingots in a mammoth industrial plant.
- **Extraction:** Harvesting natural resources, including agriculture, fishing, logging, and mining.

Note that e-commerce is not a new and separate kind of business — that kind of thinking got it into trouble in the first place and caused the dot-coms to crash in the first years of this century. E-commerce is simply a tool to use in business.

Small businesses are most likely to concentrate in service and retail. Service, in particular, is usually the cheapest business to start up, so it attracts a lot of entrepreneurs.

Now, most people don't look at a list of the five kinds of businesses and wonder, "Service or extraction? Retail or manufacturing? What best expresses my personality?" Instead, they have an idea that happens to fit into one of the five categories. At least, having an idea helps. And most people do, but others don't.

Those who have a clue

Most people who are thinking seriously about going into business for themselves have an idea about what they want to do before they start thinking seriously. Many people get their idea from a job they've held and decide to develop a new product or service similar to a former employer's, or become a consultant in the field.

If you're going into the same field as your previous employer, be careful not to breach any confidentiality agreement or noncompetition agreement you may have entered into. And do not infringe your previous employer's copyright or trademark (see Chapter 3).

The idea may come from your skills:

- If you have professional training or training in a skilled trade, you can set up your own business instead of joining a firm.
- If you have a hobby, you may be able to expand it into a business.
- If you invent something, you may be able to create a business around it.
- If you have always wanted to start a particular kind of business, maybe now is the time.

Or you may have become aware of an excellent business opportunity. It may or may not be related to your training or a hobby or your "dream" business.

Or in your travels, you may have seen a good idea that hasn't hit your hometown yet. (Starbucks was once confined to one city on the West Coast, believe it or not. Years ago, one of the authors was taken from Vancouver to Seattle by a friend to try a cup of Starbucks coffee but remained oblivious to the business opportunities!)

Those who are clueless

Some people are serious about going into business but haven't decided on the business yet. If you're one of these people and you're looking for ideas . . . you probably need to look further than this chapter, or even this book. So here are some suggestions about where to look for an appealing business start-up idea.

To get a business idea in the first place, you can

- Look around the field in which you have work experience to see if any opportunities are waiting to be explored. Maybe you've noticed that customers would be delighted if they could get a specific product or service that no one's offering right now.
- Look around a field in which you have play experience to scope out opportunities — a few thousand people's hobby could become one person's successful business. Parlay your love of mountain climbing into an outfitting or guiding business, for example.
- Take out your pet peeves and look them over. You may not be the only person who wishes someone would make/import/distribute a better pair of dog boots.
- Read newspapers and magazines, trade publications, newsletters and online publications to find out what's going on in the business world.
- Visit trade shows, inventors' shows, conventions, or conferences to find out what's going on in a particular field.
- Go on field trips (in your own city or town or in the wide world) to see what businesses exist and how they're doing.
- Look for government or other lists of licensing opportunities.
- Ask friends and acquaintances for ideas.

After you have an idea, you need to evaluate it by considering the following factors.

What to look for in a business start-up

To begin with, try to aim toward something you'll enjoy doing. Starting a business is hard enough without choosing a business that you're pretty sure you'll loathe, even if you think it could make a lot of money.

Next, look for something people want . . . as opposed to something they don't want, or that they'll have to be carefully educated to want. It should also be something they'll want tomorrow and next week as well as today — in other words, don't base your business on a product or service that's going out of use or out of style. Ideally, your product or service is something that people want often, rather than occasionally or only once.

Especially in Canada, consider offering a product or service that isn't completely seasonal like skate sharpening or outdoor ice cream stands. Choose something with a good distribution and advertising system in place: For example, a product you manufacture should be one that established retailers will be happy to carry; a product you sell should be one that already benefits from a national marketing campaign by the manufacturer; a service you offer should be positioned within a network that will bring you lots of referrals.

Look for a business with a high profit margin. You'd like your direct cost of performing the work or supplying the product to be a small percentage of what you charge the client or customer. (The service industry is good for high profit margins; manufacturing and extraction aren't.)

What to avoid in a business start-up

While you're searching for a business with lots of advantages, you also have to avoid a business with too many disadvantages.

You'll probably be happier if you stay away from a business that will be immediately overwhelmed by the existing competition. If the field is competitive (as are most fields worth going into), look for a niche where you have a competitive advantage (say, because you have a lot of natural talent or you've acquired great skills and experience; or because you have exclusive manufacturing or distribution rights). Don't go head-to-head with the established players and imagine you'll knock them down!

You also don't want a business that will be overwhelmed by regulation — by the federal, provincial, or municipal government — or by the governing body of a professional or skilled trade. You'll find regulation in any type of business, but it's worse in some than in others. For example, food and drug manufacturing are heavily regulated by the federal government, as are telecommunications and commercial aviation. If you open a restaurant or bar, municipal food inspectors and provincial liquor inspectors will visit you regularly. Look into the extent of regulation when you research the area of business in which you are interested. We tell you about getting information geared to your specific business in Chapter 2.

You might prefer to avoid a business that will require expensive insurance from the start (this describes most of the professions, and the manufacture of products that are potentially harmful). (See Chapter 12 for more about insurance.)

TIP

Helpful hints for aimless entrepreneurs

Think about these trendy areas for business start-ups:

- **Become an alter-ego for people who have money but no time.** Be a concierge or personal assistant (do chores for people, like picking up dry cleaning or getting tickets to a show); personal shopper; closet organizer; handyman-for-hire; drop-in cook (shop for ingredients, go to the client's home and spend a few hours cooking meals for the entire week); or personal dating service operator or matchmaker.
- **Sell the promise of health, youth, and beauty to an aging population.** Be a personal trainer; spa service provider (massage, manicure, pedicure, makeup, facials); a plastic surgery consultant or coordinator; a tattoo artist or tattoo removal specialist or body piercer. Or be a manufacturer of exercise equipment, comfortable furniture, sun-protection clothing, or sports clothing.
- **Be an outsource for other people's businesses.** Provide telephone and e-mail surveys, market surveys, data processing, technical support, secretarial support, bookkeeping, Web site design, or help in using social media sites.
- **Go the eco-entrepreneur route.** Manufacture, distribute, or sell ecologically sound cleaning products, recycling systems, or energy sources that are environmentally friendly or recyclable.
- **Provide specialty travel arrangements.** Organize seniors' tours, educational tours, eco-tours, or singles' tours.
- **Look after other people's kids, parents, or pets.** Provide a chauffeur service for kids (to get them to school, practices and games, after-school lessons, or appointments); offer dog walking, house-sitting, babysitting (rent-a-parent), or health-care coordination for the elderly; provide tutoring, keyboarding/typing, music lessons, computer lessons, or test preparation help; or provide sports coaching, a summer camp program, party planning and preparation, or a party place.

Unless you've got guaranteed access to a big wad of cash, you'll certainly also want to avoid a business with high start-up costs. You may think you can build a better steel mill, but you can't do it on a $25,000 loan. Consider how much you have to invest in starting up a business, or how much you can raise by borrowing. If you have almost nothing to invest and realistically don't expect anyone else will want to invest a lot in you and your business, choose a business that requires almost no initial investment (that's usually service).

You'll probably also want to steer clear of a business with immediate high labour needs. Paying employees isn't just a matter of cash flow (although that's pretty important). As an employer, you'll also have to deal with a lot of regulations and paperwork — such as income tax, Employment Insurance, Canada or Quebec Pension Plan, provincial workers' compensation, and occupational health and safety rules — and you may already have enough on your plate. (See Chapter 15 for more about the responsibilities of being an employer.)

Determining If You Have the Small Business Personality

Whatever your reason for wanting to go into business for yourself, and whatever the business you decide to go into, stop and check whether you have the right personality for the adventure before you start. This is true whether you really want to go into business for yourself or whether you think you have no choice but to do so. And it will give you an excuse to put off figuring out your finances.

Realizing that you don't have the right stuff to run your own business is better done before you sink a lot of time and effort, and maybe even money, into a business. You can always pursue other options.

And if you find you're not going to be the perfect entrepreneur, but you're determined to go ahead anyway, then a self-assessment will tell you where your weaknesses lie and show you where you need to improve or get outside help.

An entrepreneur needs most of the following qualities — whether you were born with them, or developed them, or are about to get working on them now:

- **Self-confidence:** You have to believe in yourself and your abilities . . . no matter what other people might think. You have to believe that your success depends on the good work you know you can do and not on matters beyond your control. However, your self-confidence should be realistic and not induced by whatever weird thing they put in the coffee at your current workplace.
- **Goal-orientation:** You have to know what you want, whether it's to revolutionize a particular industry or to be home when your children return from school. However, if your main goals are money, power, and prestige, you probably need to reorient yourself toward something a little more attainable in the small business sector.
- **Drive to be your own boss:** The burning desire and the ability to be your own boss — if you need or even want direction about what to do next, you won't make it in your own business. You have to be able to make your own plans and carry them out.

- **Independence:** The ability to work independently rather than as part of a team. You've probably had propaganda pounded into your head since you were a kid that teamwork is really important, and maybe even better than working on your own. It isn't if you're an entrepreneur.
- **Survival skills:** The ability to survive without a social group is handy. When you start up your own business, you'll probably be working by yourself for some time. If you need people around you to chat with, or else you start to go crazy . . . then you may go crazy.
- **People skills:** Even though you have to be able to get along without being surrounded by people all the time, you still have to get along with people. You'll be dealing directly with customers and clients (see Chapter 13), investors (see Chapter 9), suppliers (see Chapter 14), associates (see Chapter 6), and employees (see Chapter 15), and you need their willing cooperation.
- **Determination and persistence:** You have to want to succeed, and you have to plan to succeed and keep working at succeeding. It's that "fire in the belly" stuff you hear about from people who look like they haven't slept in the past eight months.
- **Self-discipline:** You can't let yourself be distracted from your work by nice weather, phone calls from family and friends, earthquakes, or wrestling matches on TV.
- **Reliability:** You'll build most of your important business relationships by always meaning what you say and doing what you promise.
- **Versatility:** You have to be prepared to do many different things in short periods of time, probably constantly switching from task to task.
- **Creativity:** You have to want to do something new or something old in a new way. If copying what someone else is already doing is the best you can manage, you may not go far.
- **Resourcefulness:** Creativity's country cousin, resourcefulness, means being prepared to try different ways of doing things if the first way doesn't work.
- **Organizational talents:** You'll be plunged into chaos if you can't organize your goals, your time, or your accounts, to name just a few things.
- **Risk-management instincts:** You have to be able to spot risks, weigh them, and come up with a plan to steer around them or soften their impact in case of a collision. (See Chapter 12 for some help in managing risk.)
- **Nerves of steel in a crisis:** Nerves of granite, titanium, oak, and so on are acceptable. Nerves of rubber, talc, or pasta al dente are not. Crises won't necessarily be frequent, but they will occur. Don't count on gin or prescription drugs to stiffen your spine during a crisis. And you can't collapse until the crisis is over.

- **Pick-yourself-up-itiveness — a combination of optimism and grit:** You're going to have failures, some of them caused by your own mistakes; and you have to see failures as valuable experiences rather than as signs that you and your business are doomed.
- **Opportunism:** You need to not only recognize opportunities when they come along, but you also need to seek them out — and even create them yourself.
- **Success-management instincts:** You can't let yourself be bowled over or lulled by success. You have to be able to see each success as a platform on which you can build your next success. (See Chapter 19.)
- **Objectivity:** For a business owner, it's always reality-check time. You have to have the courage to stare down reality's throat and acknowledge your own mistakes. You also have to corner reality by getting feedback about your business and how you run it from customers and clients, suppliers, professional advisors, competitors, employees, and even your mother-in-law. Then you have to have the strength to make necessary changes.

That's a long list! And you'll also need a Zen-like calm about not having a regular paycheque. Not only will you not get a bank deposit once a month, but you won't get paid for sick days, personal days off, or days when you show up at the office but are too zonked to work.

In addition, it helps if your parents (or close relatives or close friends) are or were in business for themselves. You may have absorbed some business know-how from them, plus you may have easy access to advice.

And to finish you off, good health and physical stamina can do an entrepreneur no harm.

The small business personality aptitude test

When you know what an entrepreneur is supposed to look like, hold the mirror up to yourself. After years of laboratory and field research, we have created the Kerr & Kurtz Not-Particularly Standard Scale of Aptitude for Entrepreneurship and a test to peg you on the scale. Take the test now.

Scoring: Unless scoring is otherwise indicated in the question, award yourself 0 points for each (a) you choose; 1 point for each (b); 2 points for each (c); and 3 points for each (d). The total number of points you can score is 49.

1. At school, when you were urged to show team spirit and join a team or production, you

a) Enthusiastically tried out for everything because you loved working on a team or in a group.

b) Tried out for a couple of teams or productions that you really wanted to be on.

c) Tried out for something to avoid being harassed by the team-spirit police.

d) Made gagging noises and said you'd rather eat bugs. (Give yourself an extra point if your answer is "none of the above," but you offered to manage one or more teams or productions on the condition that you received a percentage of any revenues.)

2. You've arranged to meet a friend to see a movie. You

a) Wouldn't hesitate to cancel at the last minute if something better came up.

b) Would show up but wouldn't worry about being on time.

c) Wouldn't worry obsessively about being on time, but if you were late, you'd try to have a good excuse ready (whether true or not).

d) Would show up at exactly the appointed time, if not earlier . . . unless the friend is someone who would choose (b) — sometimes choosing realism over reliability is okay.

3. You're preparing for a dinner party. At practically the last minute you go to the grocery store, armed with a list of necessary ingredients. Because you're in a hurry and aren't paying enough attention, you buy some wrong ingredients. In fact, they're so wrong that you won't be able to make the main course you had carefully planned. You

a) Are filled with despair at your own incompetence and stupidity, so you call up your guests and tell them the party's cancelled.

b) Serve dinner without a main course and hope no one will notice.

c) Assume everyone's coming for your company rather than your food, and replace the main course with tinned spaghetti from the back of your cupboard.

d) Create a new main course from whatever ingredients you have on hand, refuse to admit even to yourself that it tastes funny, and keep the wine flowing.

4. You're in your kitchen. Just as you see that a pot on the stove is about to boil over, the phone rings, the doorbell chimes, and in another room your printer starts making noises that signal a monumental paper jam. You

a) Black out from stress.

b) Answer the phone and ignore the door, the stove, and the printer.

c) Go to the door and ask whoever's there to take the pot off the stove and answer the phone while you take care of the printer.

d) Take the pot off the stove, take the phone with you as far as it will extend toward the printer, stop the printer from destroying itself, and then open the window, stick your head out, and yell "Who is it?" to the person at the door.

5. In your household, a dishwasher storm trooper insists that the dishes always be loaded in a particular way. You

a) Obey the storm trooper's orders to the letter.

b) Assure the storm trooper that you load the dishwasher according to the rules, but always make a point of putting some of the silverware in the wrong way up.

c) Get into constant arguments with the storm trooper about the correct way to load the dishwasher.

d) Are the storm trooper.

6. When a home appliance you're using for a necessary job breaks down, your reaction is to

a) Head for the nearest coffee bar for a double-double-mocha-java.

b) Kick the darn thing to terrorize it into working again.

c) Ignore the "CAUTION! OPENING THIS PANEL WILL LEAD TO RISK OF ELECTROCUTION!" label, insulate yourself, and poke around in the hope you can get it going.

d) Take it in for repairs, but use all your skill to negotiate a one-hour turnaround time or a free replacement while the repairs are being carried out.

7. You're driving in heavy traffic on the highway and your exit comes up suddenly. You're not in the exit lane. You

a) Quickly pull into the exit lane without checking, assuming that all other drivers are on alert for idiots like you and will be able to react in time to avoid crashing into you.

b) Go on to the next exit, even though you'll end up driving some distance out of your way.

c) Quickly check the lane you want and calculate that you can safely change lanes if you accelerate through the change instead of braking or maintaining your present speed, and as long as no one in the exit lane changes speed.

d) Were already aware of traffic all around you because you habitually keep a 360-degree watch when driving, and you calculate that you can change lines safely if you slow down and pull in behind the car currently beside you in the exit lane.

8. You're in a store on a major shopping spree. When you hand your credit card over to the sales clerk, he runs it through the machine and says, "Sorry, the machine isn't accepting this card, you're over your credit limit." You give the clerk a different card and it gets rejected, too. You

a) Abandon your purchases and flee the store, terrified you'll be arrested for a criminal offence.

b) Ask, in a dignified way, if the store will put the items away for 24 hours while you get the matter straightened out — and then never return.

c) Ask to use the store's phone to call up one of the credit card companies and see if you can get your limit raised.

d) Offer to write a cheque, using your credit cards as ID.

9. On a shopping expedition, you find two similar products, except one is on "special" and considerably less expensive than the other. You

a) Buy the cheaper one because the store says it's a good deal.

b) Buy the more expensive one because things that cost more must be better.

c) Snag a passing sales clerk and ask if he can tell you about any difference between the two products, and base your decision on that information.

d) Don't trust a salesclerk to know the product line he or she sells, so you carefully compare the two products for quality, manufacturer's reputation, and (as applicable) fit, range of use, warranty, and so on, and then base your decision on all of these factors.

10. If a service person is nasty to you without provocation when you're trying to buy something you really need right now, you say,

a) "Forget you; I don't need to take this," and leave without making the purchase.

b) "I want to talk to your manager, buster."

c) "Hey, whatever's eating you isn't my fault; can't you be a little more pleasant?"

d) "Looks like you're having a bad day; I hope I'm not doing anything to make it worse."

11. If we asked you to drop by next Tuesday to organize a DVD collection gone wild, you would

- **a)** Immediately call up your dental surgeon to make a Tuesday appointment for that root canal she said you needed.
- **b)** Show up, square the piles of DVDs, and maybe blow some of the dust off the cases.
- **c)** Come and line up the DVDs against the wall in alphabetical order.
- **d)** Arrive early, your eyes glowing with enthusiasm, sort the collection into drama, horror, musical, comedy, and classics, sort each category alphabetically by director, lead actor, or title, and then by release date.

12. You're working on a project. The radio is playing quietly in the background. At what point are you distracted from your work?

- **a)** As soon as you sit down. You immediately get up and change stations — why wait for a distraction to happen when you can distract yourself?
- **b)** When you hear a song you really like.
- **c)** When the news comes on, and the announcer says that police have surrounded your immediate neighbourhood because of a bomb threat.
- **d)** When the radio suddenly explodes.

13. You make a request based on a plan you've thought out, and are refused. When you don't instantly vanish, the person to whom you made the request says, "What part of 'No' don't you understand?" Your automatic response is to

- **a)** Burst into tears.
- **b)** Apologize politely for taking up the person's time.
- **c)** Go and ask someone else.
- **d)** Explain your request again, leaving out the big words.

14. On Monday morning, you

- **a)** Look back fondly on the weekend, which you spent with your pals from work.
- **b)** Look forward to getting in to work so you can chat with your co-workers whom you haven't seen since Friday.
- **c)** Exchange civil conversation with your co-workers for a few minutes about how the weekend went.
- **d)** Politely answer "Fine, thanks" to anyone who asks about your weekend, and then get down to business as quickly as possible.

15. One minute before you are to start an important presentation in front of several dozen people, you bend over to pick up your notes that fell on the floor, and your pants split up the back seam. You don't have a jacket with you, your shirt isn't long enough to cover the rip, and you don't have time to look for a concealing garment. So you

a) Sidle out of the building and later mail in a letter saying you quit your job.

b) Persuade someone you meet while hiding out in the washroom to go and say that the presentation is cancelled.

c) Enter the room, keeping your back to a wall, and deliver the presentation sitting down.

d) Begin your presentation by cheerfully announcing that you've ripped out the seat of your pants. (If you would then turn around and flash your underwear at the audience, deduct a point — you've gone beyond self-confidence to exhibitionism . . . and this is especially true if you're not wearing underwear.)

16. You've been ordered to travel to another city on business. This trip is the last thing in the world you need or want to do, but you have no choice. So you go, but

a) Sulk before, during, and after the trip, and swear you'll make them all pay for sending you.

b) Resign yourself and do the best job you can.

c) Look on the trip as a break from your routine — when you get back, your daily grind will seem great in comparison.

d) Investigate what personally rewarding activity of your own you can work into the trip — such as a meal at a good restaurant, a visit to a museum or spa, or a reunion with an old friend.

So after taking the test, how did you do? In case you're feeling shy, we'll encourage you by telling you what we got on the test. One of us got 36, and the other got 28 and 39 (she's a Gemini and she took the test twice; once for each side of her business personality). We're not revealing which one of us got what. Some cosmic mysteries must persist, even in business.

Our scoring system, as you might guess, is completely unscientific; but use these ranges to interpret your score:

- **48 (or 49) points:** You're kind of scary. A year from now you'll probably send us a terse e-mail telling us where we got this book right and where we got it wrong, and mentioning as an afterthought that the business you started after taking our questionnaire is now worth $1.7 billion!
- **40 to 47 points:** You probably won't get around to sending us the e-mail we discuss in the previous bullet for two years.
- **30 to 39 points:** You've got a bit of work to do on some aspects of your business personality, but being an entrepreneur for a while should take care of that — you learn pretty quickly when your livelihood depends on it!
- **20 to 29 points:** You've got potential — but think entrepreneurship over very carefully before you take the leap!
- **10 to 19 points:** Keep your day job.
- **0 to 9 points:** You may actually be a small furry rodent, and you should be nibbling this book, not reading it.

As for our scores, we've both run small businesses on and off for the past 25 years. Either this means we shouldn't be in business, or it means you don't have to score high on our test to do okay in the business world. Or else it means that tests don't mean much. Or at least this one doesn't. If you'd like to try a more serious test, have a look at the free online entrepreneurial assessment provided by the Business Development Bank of Canada. (`www.bdc.ca`); select Tools, then Entrepreneurial Assessment.

Considering Other Factors before Starting Your Business

Even if you're a potential paragon of entrepreneurship, think about the following before leaping into business for yourself:

- Would your personal life allow you to take the entrepreneurial plunge right now?
- Do you have the practical resources to go into the particular business you have your heart set on?
- Is this a good time (for economic and market reasons) for anyone to go into this particular business?

Your personal life

What's going on in your personal life right now? Starting a small business makes more sense at some times than at others. Think about the following questions:

- Do you need a steady income right now — maybe because you have small children and your spouse has given up paid employment to stay home with them, or because you have debts to repay?
- Do you need a steady and conventional lifestyle right now because all hell is breaking loose in the rest of your life?
- Do you need to be physically present in your home more (maybe because you want to spend time with your young children after school or you have to look after an elderly parent), so a home-based business makes more sense than working outside your home?
- Do you have some money to throw around right now, perhaps from an inheritance or a buyout package from your employer?
- Would you have trouble raising the necessary cash to start a business — say, because you've just gone bankrupt?

TIP: If you have a spouse, or someone who depends on your income or companionship, ask him or her to list the pros and cons of your going into business for yourself right now — from his or her own point of view. You might as well get it all out in the open.

Your practical resources

Do you really have what it takes to start this business? Ask yourself now, before you invest time, money, and effort and maybe pass up other work or opportunities for which you're better suited.

For starters, if you go into any business, you'll have to

- Find customers; identify customer needs; develop new product and service ideas; decide on prices; and develop promotional strategies. (This is *marketing* — see Chapters 4 and 11.)
- Persuade customers to buy. (This is *sales* — see Chapter 13.)
- Do good work so customers will (a) be more likely to pay you and (b) come back to you. (This is *commitment to excellence* — see Chapter 13 again.)
- Enter into contracts to buy and provide goods and services — you need to know what has to go into the contract, even if you don't draft it yourself. (This is *business law* — see Chapters 13 and 14.)
- Have a working knowledge of the law so you don't break it and it doesn't break you (for example, you need to know about different kinds of taxes and levies; see Chapter 16), nondiscrimination in providing goods and services (Chapter 13) or in hiring (see Chapter 15), breach of the *Competition Act* in your advertising (see Chapter 11), and arrest of shoplifters (see Chapter 12).
- Understand the financial side of your business and keep proper accounts (payable and receivable) (see Chapter 17), collect and pay taxes (see Chapter 16), borrow money, manage cash flow, handle credit, and create and stick to a budget (see Chapter 9). (This is *accounting* and *money management*.)
- Keep track of the product or service you provide or sell (if it's a service, you provide your time) and purchase supplies and materials on time. (This is *inventory management*.)
- Buy and use a computer and software. (This is *computer literacy*.)
- Get money owed to you by deadbeat customers and clients. (This is *collections* — see Chapter 13.)
- Eventually hire, supervise, train, motivate, and evaluate employees. (This is *human resources management* — see Chapter 15.)

If you don't have these skills, you'll have to fill in the blanks. We give you some ideas about that in Chapter 2. (Don't get into a funk! You may be surprised at how many of the skills you've already acquired through courses at school, jobs you've held, participation in clubs or organizations, and even just from running your own life.)

You'll also need a set of skills to run the particular kind of business you have in mind. Ask yourself these questions:

- **Do I need particular skills, talents, years of experience, expertise, or connections to succeed in this business?** Or, in some cases, do I need all this just to get my foot in the door of this business?
- **Is this business heavily regulated?** Do I need particular education, training, or other official qualifications before I start? Do I need government approval that may not be automatic?
- **Is this business expensive?** Do I need a lot of money to get set up? (For example, will it cost a lot to develop the product or service, to manufacture the product, or to find customers or develop a distribution system?)

If you don't know the answers to these questions, you need to do your homework. Speak to people who are already in this business, read trade papers or publications about the business, or contact government offices and professional or trade associations. We help you out with some of this in Chapter 2.

Hey, kids, try this at home!

After you have a good idea of what you need to get into and run the business of your choice, do this exercise to put off doing really useful work for a while. First, write a job description for starting this business. What education, background, and skills are required to do the job now and as it grows? What experience would be useful? What personal characteristics should the owner have? Be objective. Forget that you're the only person to whom you're going to offer the job.

Then apply for the job by writing your own *curriculum vitae* (CV):

- Detail your formal education.
- List the jobs you've held and tasks you performed in those jobs. (You can include jobs that aren't normally considered paid employment, such as running a household.)
- List the skills you've acquired through formal education and training, jobs, and personal interests and activities (hobbies, sports, membership in organizations, and so on) and through life experience.
- Finish up with your character by listing your strengths and weaknesses.

Compare your CV with the job description. Are you up to the job? Would you hire yourself? If you think the job applicant is on kind of shaky ground, maybe you're heading into the wrong business.

But don't despair. If you don't qualify for the job yet, ask yourself what reasonable steps you could take to improve your qualifications. Maybe you can get some training or experience, even as you start to set up the business.

The economy and the market

Your personal life and practical resources may be in just the right shape for you to start your own business, but the business world will chew up and spit out a navel-gazer. You also need to look at the economy generally, and at the market for your proposed product or service in particular. If the economy's tanking, the time probably isn't right to launch a luxury business . . . but the time may be exactly right to start a business that will appeal to penny-pinchers. If the market for your product is jammed with competitors or if demand has started to dry up, you're headed for trouble if you stay on course. But if the market is just about to expand in a big way, you may have hit on a surefire success.

Knowing If and When to Give Up Your Day Job

Should you start a business and keep your day job (if you've got one)?

Conventional wisdom says that you shouldn't give up your day job until absolutely necessary (that's the point when you have to devote the time to your business or give it up) or until you don't need a day job (that's the point when you're making a living from your business). Conventional wisdom also urges entrepreneurs not to go it alone until they've saved up about six months' salary. That's a good joke! It would take most of us years to save six months' salary, unless we were offered a fantastic buyout package.

Even if you're dying to tell your current employer "I quit!", think about the following questions:

- **Do you have to have the money from employment?** Even if your business turns out to be a success, you may not have much, or even any, income when you first start your business.
- **Do you want to keep your employment contacts?** The business you're starting might be something your employer or fellow employees could assist or patronize.
- **Do you have the time to hold down a job and start a business (and still have time to eat and sleep)?**

- **Would starting your own business and keeping your day job be problematic because of**
  - Your employer's requirement (in your employment contract) that you not carry on any kind of a competing business while you're an employee?
  - Your employer's requirement (in your employment contract) that you put your full effort toward your employment work?
  - Suspicious superiors and co-workers who would assume you were goofing off by focusing on your own business instead of doing what you were paid to do?
- **Do you want to be able to fall back on your day job if your business venture doesn't work out?** Remember, if you quit to start a business, you might not get hired back.