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Chapter **1**

Do You Have the Right Stuff?

So you're thinking of starting your own business! Every year, lots of Canadians of all ages and backgrounds get the entrepreneurial urge and take the leap to start businesses. Some of those businesses become very successful, and some of them fail.

Business success or failure isn't the result of fate, or random chance. A business does well for good reasons — like providing a great product or service, having a solid marketing plan, and having an owner with 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 into a new business frontier.

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 of Small Business Ownership

People start up their own businesses for different reasons. One of the best reasons is that they've found a business opportunity and idea that are just too attractive to pass up. A good reason is that they want to work for themselves rather than for someone else. A discouraging — 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 or stinks).

Whatever your reason is for wanting to become an entrepreneur, you should know that life as an entrepreneur is a bit of a mixed bag. Don't say we didn't warn you! Running your own business has some great advantages, but it also has its share of disadvantages.

The pros

Here are some of the good things about 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 empty candy wrappers 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 20 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 section just before this one? 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 cash flow predictability and 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 20 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 The Bank of Mom and Dad, 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 20 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 home, your business, or your business assets (business property) to pay off your spouse. (Chapter 21 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, engineers, 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 teachers, data scientists, financial planners, real estate agents, painters, insurance brokers, management consultants, taxi and Uber 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.

If you’re a glutton for detail, the five general types of businesses we outline here are actually broken down by the North American Industry Classification System (NAICS) into 928 specific Canadian industries. You can access this list to help you brainstorm small business ideas at www.statcan.gc.ca/eng/concepts/industry.



WARNING

Note that e-commerce is not a new and separate kind of business. E-commerce is simply a tool and channel to help transact business in a more efficient, effective, and economical way.



REMEMBER

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

Now, most people don’t look at a short list of the 5, or even a ginormous list of 928, kinds of businesses or industries and wonder, “Service or extraction? Retail or manufacturing? Electronics or sporting goods? 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.



WARNING

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).



TIP

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. Tim Hortons, for instance, was once confined to Hamilton, believe it or not.

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 and blogs 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.



TIP

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 lends itself to robust profit margins; manufacturing and corner grocery stores do not.)

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.



WARNING

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! They already enjoy first-mover advantage.

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. Medical, dental, and many other professional services industries are likewise heavily regulated by provincial and federal bodies. Canada's growing cannabis industry has also joined the ranks of the strongly regulated, and rightly so. (We discuss this dynamic sector in Chapter 19.) Alternately, 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.)

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 money 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.)



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 email surveys, market surveys, data processing, technical support, secretarial support, bookkeeping, website 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.

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.



REMEMBER

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

You may have taken a personality aptitude test before. Perhaps you took one when you sought employment in a large company to see if you would fit in, or before you got married to see if you were truly compatible with your future life partner. Taking a small business personality aptitude test is similar. It's not unlike taking a test to see if you would get along being "married" to your own small business! It's all about fit and alignment to your needs, wants, and objectives.



TIP

A great free resource is the online entrepreneurial assessment provided by the Business Development Bank of Canada. Go to www.bdc.ca, hover your mouse over Articles and Tools, and click Entrepreneur's Toolkit. From there, click the Entrepreneurial Potential Self-Assessment link. This robust questionnaire includes 50 statements that will take you about 15 minutes to thoughtfully complete. The questions are not binary — there is no right or wrong answer. All the tool requires is your honest response. When you finish the questionnaire, your answers are summarized in a way that helps you to self-assess your entrepreneurial traits, motivations, aptitudes, and attitudes.

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), non-discrimination 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?)

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 résumé:

- 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 résumé 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.

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.

The broader economy, the industry, and the specific 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 sure-fire success.

Easing into It: 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.

