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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.

One recent exception to the more common reasons for business failure was the COVID-19 pandemic. It was totally uncontrollable. The pandemic significantly changed the landscape for small businesses, and in a terrible way. Many small businesses failed, even with lifelines of financial support having been thrown in by all levels of government in Canada. However, many new businesses have now begun to spring up from that wasteland. Creative business plans have been developed that leverage an ability to work and do business remotely. Guidance to navigate the winding road of starting a new business has never been in greater demand.

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

The Pros and Cons of Small Business Ownership

People start 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 you weren't warned. Running your own business has some great advantages, but it also has its fair 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, customers and clients, government regulators, and so on will tell you what to do.

  You'll have the freedom to 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.

  You'll have the freedom to create your own work environment — 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 and follow your own ideas rather than following someone else's master plan.
- **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.
- **You'll have increased financial opportunities.** If your business is successful, you have the potential to make more than you can 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 7).

The cons

I bet the previous section 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.

- **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.
- **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 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 5.)

  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.
- **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.

How to Know 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.

TIP

An entrepreneur needs most of the following qualities — whether you were born with them, develop 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 when you're an entrepreneur.
- **Survival skills:** The ability to survive without a social group is handy. When you start 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, investors, suppliers, associates, and employees, 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 7 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 also 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.
- **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.

TIP

A great free resource is the online entrepreneurial assessment provided by the Business Development Bank of Canada. Go to `www.bdc.ca` and search for *Entrepreneurial Potential Self-Assessment* using the Search tool in the upper-right corner. If that doesn't work, 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.

Other Factors to Consider 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 work environment right now because the rest of your life is very chaotic?
- 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?

- Will 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 them to list the pros and cons of your going into business for yourself right now — from their 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 (see Chapter 8).
- Persuade customers to buy.
- Do good work so customers will (a) be more likely to pay you and (b) come back to you.
- 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.

- 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), non-discrimination in providing goods and services or in hiring, breach of the Competition Act in your advertising, and arrest of shoplifters. (You can read more about the Competition Act, which has to do with the regulation of trade and commerce, at `laws-lois.justice.gc.ca/eng/acts/C-34/index.html`.)
- Understand the financial side of your business and keep proper accounts (payable and receivable), collect and pay taxes, borrow money, manage cash flow, handle credit, and create and stick to a budget.
- 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.
- Buy and use a computer and software.
- Get money owed to you by deadbeat customers and clients.
- Eventually hire, supervise, train, motivate, and evaluate employees.

If you don't have these skills, you'll have to fill in the blanks. You can find 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?)

TIP

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. You get help 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 is 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.

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 need 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 start your business.
- **Do you want to keep your employment contacts?** The business you're starting might be something your employer or fellow employees can 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 the following:**
  - 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 coworkers 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?** Keep in mind that if you quit to start a business, you might not get hired back.