

Entrepreneurs Checklist

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You've come up with a great idea for starting your own business. Congratulations!

Now, how do you start turning your dream into a real opportunity for success?

You know there's a lot of work ahead of you, and you've accepted that as part of the deal.

But you should also know that there are many resources a new entrepreneur can tap into for help when starting a small business. Consider these steps as part of your entrepreneurial checklist:

CREATE A KILLER BUSINESS PLAN

We've all heard the grim statistics. Some research indicates that there is approximately an 80 per cent failure rate in the first five years for business start-ups. But the odds of success increase dramatically with a well-conceived and thorough business plan. While the business plan is typically required to obtain financing, the actual process of creating and validating your business model is also valuable. It can help you recognize beforehand that your idea might not work, and help you adjust your idea or direction, says Eric Crowell, Director of the Sobey School Business Development Centre at Saint Mary's University.

As you work on your plan, one of the most important elements to consider is the unique value proposition: Why is your product different from anything else out there? Why is it better, and why will people buy it? You want to talk to potential customers and develop mock prototypes to test.

Also consider: product price, promotion, how customers will find it, how many will potentially buy it, your competition and their strengths, how much it costs to make a unit and how much you will sell it for, how many units you

need to break even or make money, what facilities and equipment you need, how much money you need and where you will get it, how long it will take before your business breaks even and how much money you need to sustain the business before it does."

Crowell suggests doing a budget for start-up costs and managing conservatively, not spending operational money on capital. You want to put a plan in place before you invest too much money, and get help with writing your plan from experts, such as university business development centres, Entrepreneurs' Forum for technology projects, or Immigrant Settlement and Integration Services.

SHOW ME THE MONEY

There is a wide range of potential lenders, including the chartered banks, credit unions, Business Development Bank of Canada (BDC), community business development centres and angel investors, who may be family members, relatives or private investors who want to support the entrepreneurial spirit.

But be prepared to chip in too. "You increase your chances considerably when you are prepared to invest some of your own money, which demonstrates that you believe in your project," says Ed Handler, a BDC business centre manager based in Halifax.

Financial institutions like chartered banks and credit unions can assist with operating requirements, which basically are lines of credit needed to finance day-to-day activities.

BDC, a complementary lender that may partner with your bank or other lenders, can help with capital costs, such as equipment, computers and leasing space.

REMEMBER: LOCATION, LOCATION, LOCATION

Crowell says a home office works for some businesses and is a great way to test a service or product before you invest too much. But business is about relationships, so you will need to make more effort to network and be proactive in making contacts.

Whether you have a home office or lease commercial space, location is important, especially the visibility of your business and the convenience for your customers. You don't want to make a decision based just on how much the rent is.

"The cost often is associated with quality," says Crowell. "For example, because Spring Garden Road is a high traffic area, the cost of being there is more but it may quickly cover itself in increased sales. A rule of thumb of what to expect your lease payment to be is somewhere in the range of five per cent of projected sales."

DECIDE ON A BUSINESS STRUCTURE

"Very often people will start out as a sole proprietorship or a partnership, and as the business becomes successful, they'll move to an incorporated model," says Crowell.

With a partnership, you will need an agreement covering issues such as how to resolve disputes, allocate profits, borrow money and separate.

If you incorporate a company, it becomes a separate legal entity, and if it runs into financial troubles, you and your personal assets will have some protection from unsecured creditors, such as suppliers.

A franchise can be another way of getting into business. "In many ways you're operating like a manager with profit-sharing," says Crowell. "If you manage really well, your franchise can grow, and you make more money. It is a great way to learn about business."

KNOW WHEN TO HIRE

Think about where you add the most value to the company — you need to be working on the business, such as finding new customers or designing new products. If you are instead working in the business, doing tasks that you could hire someone to do at an affordable rate; you probably are not making the best use of your time.

You can find out about programs for hiring co-op students and new graduates through universities and community colleges. For funding programs and other services to help employers hire and train, also check websites of government agencies and departments, such as the Atlantic Canada Opportunities Agency (ACOA), Service Canada, the Nova Scotia Department of Labour and Advanced Education (which has an online HR Toolkit for small- and medium-sized employers), and the Department of Economic and Rural Development and Tourism.

UNDERSTAND FINANCIAL STATEMENTS

Crowell recommends taking an accounting course to help you understand financial statements, such as a balance sheet, income statement and cash-flow statement. You also want to understand key indicators, such as gross profit percentage or profit margin, break-even, working capital and inventory turnover. "But don't do your own bookkeeping," he says. "You have more important things to do, and an experienced bookkeeper will tell you revealing things about your business that you may not see on your own."

You should meet each month to go over the financial statements. You also can ask your bookkeeper to compare your statements to the top performers in your industry, using information available online from Industry Canada and Statistics Canada.

TALK TO EXPORTING EXPERTS

To start learning about exporting, you can contact organizations involved in small business and trade, such as Nova Scotia Business Inc. (NSBI). It offers a series of Going Global workshops to introduce companies to the basic knowledge required to do business abroad. Export Development Canada (EDC) works with many small businesses that are exporting. “We offer insurance, finance and bonding, and we have trade advisory services,” says David Surette, Regional Vice-President, Atlantic Canada. “If someone is looking for information on a country or buyer, we will share that with our customers or even prospective customers. Once you’re in the market, we can help make introductions to key buyers and help you promote your products in a foreign jurisdiction.”

EDC also can suggest additional contacts and sources of exporting information and assistance, such as Foreign Affairs and International Trade Canada, ACOA and customs brokers.

STAY ON TRACK WITH TRAINING

Continuing to learn is essential to help you grow and stay focused on your goals.

“I think the biggest challenge entrepreneurs face is the shiny object syndrome,” says Michael DeVenney, CEO of Bluteau DeVenney in Halifax. “So many bright things take our attention that we get off track, and that is what hurts our ability to really get momentum.” He suggests

learning more about three areas of strategy — understanding the customer and market, understanding how to set up a model to make money from what you want to do, and setting a plan of action. Leadership training is also essential, both in terms of your own personal style, and in leading a team and communicating effectively.

KEEP GROWING TO SUCCEED

“It’s an imperative: grow or die,” says Crowell. “You should always be trying to grow and looking for opportunities. Having the motivation to grow creates that mindset where you are always looking for new ways of improving your business, product and service, and new suppliers. It is that motivation that causes you to become more efficient and productive. That improves companies’ success rates.”

To grow, a company needs people who are good at the key activities — operations, selling and marketing, accounting and finance — and who can help take you to a different level with experience and contacts that you do not have. For small companies that cannot afford to hire three really qualified people for those areas, one option is to hire coaches, such as a production manager or an accountant who might come in one day a week or one day a month.

Crowell says it also is important to get involved in your industry association and go to trade shows, not just to sell, but to broaden your perspective.

Entrepreneur's Checklist

- ✓ **Business Plan:** You need a map to know where you're going. But be flexible in case you need to change direction.
- ✓ **Funding:** Talk to a variety of potential lenders, such as chartered banks, credit unions, BDC or angel investors. Expect to chip in with your own funds.
- ✓ **Location:** Consider the visibility of your business and convenience for customers when choosing a home office or commercial space.
- ✓ **Business Structure:** Decide whether a sole proprietorship, partnership or franchise is the right fit for you.
- ✓ **Hiring Staff:** Check into hiring co-op students or new graduates, and government funding programs and assistance.
- ✓ **Financial Statements:** Learn how to understand them. But hire an experienced bookkeeper.
- ✓ **Exporting:** Get help from experts, such as NSBI and EDC.
- ✓ **Training:** Learn more about strategy and leadership to help you grow and stay focused on your goals.
- ✓ **Growing:** It's a must for success. Keep looking for ways to improve.