

Stage

two

Assessing Your Potential for an Entrepreneurial Career

The discussion in Stage One should have served to dispel many of the popular myths concerning entrepreneurship. This section will expand on the theme of entrepreneurial characteristics by proposing and discussing two important questions that are vital to you if you are interested in an entrepreneurial career:

1. Are there certain common attributes, attitudes, and experiences among entrepreneurs that appear to lead to success?
2. If such attributes, attitudes, and experiences exist, can they be learned or are they inborn and thus available only to those with a “fortunate” heritage?

Research into these questions suggests that the answer to question 1 is yes, while the answer to question 2 is both yes and no. These answers, of course, are of little value to you on their own without some further explanation.

ENTREPRENEURS ARE BORN AND MADE BETTER

In 1980, Tom Wolfe wrote a perceptive bestseller that examined the lives of America’s leading test pilots and astronauts. According to Wolfe, becoming a member of this select club meant possessing “The Right Stuff” — i.e., the proper mix of courage, coolness under stressful conditions, a strong need for achievement, technical expertise, creativity, etc. While Wolfe was not talking about entrepreneurs, his viewpoint is similar to the basic thesis held by many members of the “people school” of entrepreneurship: A person has to have the “right stuff” to become a successful entrepreneur.

There is considerable evidence, however, that a great deal of the ability and “right stuff” needed to become a successful entrepreneur can be learned (though probably not by everyone).

ENTREPRENEURIAL QUIZ

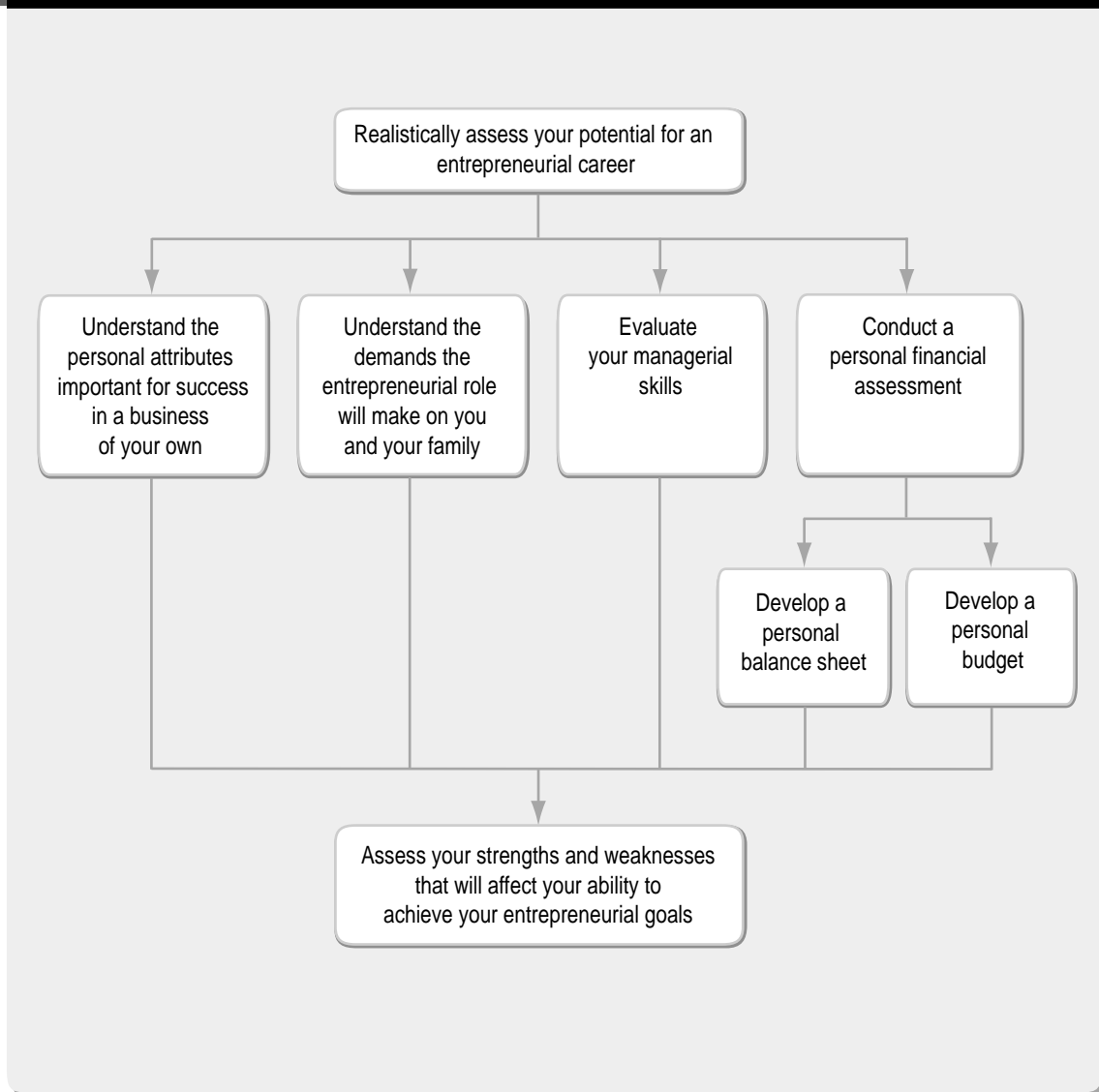
While most writers in the field of entrepreneurship agree that there is no single profile, no specific set of characteristics, that defines a successful entrepreneur, there do appear to be some common attributes, abilities, and attitudes. Prior to proceeding any further with our discussion of these entrepreneurial characteristics, it is suggested that you take the Entrepreneurial Quiz that appears as Figure 2.1, starting on page 34. This will enable you to compare your personal attitudes and attributes with those of “practising” entrepreneurs.

WHAT ATTRIBUTES ARE DESIRABLE AND ACQUIRABLE?

In a study of the 21 inductees into the Babson University Academy of Distinguished Entrepreneurs, only three attributes and behaviours were mentioned by all 21 as the principal reasons for their success, and they were all learnable:

1. Responding positively to all challenges and learning from mistakes
2. Taking personal initiative
3. Having great perseverance

WHAT IS YOUR ENTREPRENEURIAL POTENTIAL?



Other research has uncovered different lists of common learnable attributes. These qualities are also very desirable in the people with whom entrepreneurs want to surround themselves in building a high-potential business.

Following is a summary of the attitudes and behaviours that can be valuable in turning a business dream into reality. The proposed characteristics represent the conclusions of over 50 separate research studies into the essential nature of the entrepreneur.

COMMITMENT, DETERMINATION, AND PERSEVERANCE

More than any other single factor, a combination of perseverance and total dedication is critical. In many cases these qualities have won out against odds considered impossible to overcome.

Determination and commitment can compensate for other weaknesses you may have. It requires substantial commitment to give up a well-paying job, with its regular paycheques, medical insurance, and pension and profit-sharing plans, and start out on your own.

SUCCESS ORIENTATION

Entrepreneurs are driven by an immense desire to achieve the goals they initially set for themselves and then to aim for even more challenging standards. The competitive needs of growth-minded entrepreneurs are to outperform their own previous best results, rather than just to outperform another person. Unlike most people, entrepreneurs do not allow themselves to be concerned with failure. What they think about is not what they are going to do if they don't make it, but what they have to do to succeed.

OPPORTUNITY AND GOAL ORIENTATION

Growth-minded entrepreneurs are more focused on the nature and extent of their opportunity rather than resources, structure, or strategy. They start with the opportunity and let their understanding of it guide these other important issues. Entrepreneurs are able to sense areas of unmet needs and their potential for filling these gaps. Effective entrepreneurs set goals consistent with their interests, values, and talents. These goals are generally challenging but still attainable. Their belief in the "reality" of their goals is a primary factor in their fulfillment of them. Having goals and a clear sense of direction also helps these persons define priorities and provides them with a measure of how well they are performing.

ACTION ORIENTATION AND PERSONAL RESPONSIBILITY

Successful entrepreneurs are action-oriented people; they want to start producing results immediately. They like to take the initiative and get on with doing it, today. The true entrepreneur is a doer, not a dreamer.

PERSISTENT PROBLEM-SOLVING, NEED TO ACHIEVE

Entrepreneurs are not intimidated by the number or severity of the problems they encounter. In fact, their self-confidence and general optimism seem to translate into a view that the impossible just takes a little longer. They will work with a stubborn tenacity to solve a difficult problem. This is based on their desire to achieve the goals they have established for themselves. However, they are neither aimless nor foolhardy in their relentless attack on a problem or obstacle that can impede their business, but tend to get right to the heart of the issue.

REALITY ORIENTATION

The best entrepreneurs have a keen sense of their own strengths and weaknesses and of the competitive environment in which they operate. In addition, they know when they are in trouble and have the strength to admit when they are wrong. This reality orientation allows them to avoid continuing on an ill-advised course of action.

SEEKING AND USING FEEDBACK

Entrepreneurs have a burning desire to know how they are performing. They understand that to keep score and improve their performance they must get feedback, digest the results, and use the information they receive to do a better job. In that way they can learn from their mistakes and setbacks and respond quickly to unexpected events. For the same reason, most entrepreneurs are found to be good listeners and quick learners.

SELF-RELIANCE

Successful entrepreneurs trust the fate of their ventures to their own abilities. They do not believe that external forces or plain luck determine their success or failure. This attribute is consistent with their achievement and motivational drive and desire to achieve established goals.

In a similar vein, entrepreneurs are not joiners. Studies have shown that the need for affiliation, or a high need for friendship, often acts as a deterrent to entrepreneurial behaviour.

SELF-CONFIDENCE

The self-confidence displayed by entrepreneurs is based on their feeling that they can overcome all the necessary challenges and attain their desired goal. They almost never consider failure a real possibility. While this self-confidence implies a strong ego, it is a different kind of ego — an "I know I'm going to do well" type of attitude.

TOLERANCE OF AMBIGUITY AND UNCERTAINTY

Entrepreneurs tolerate ambiguous situations well and make effective decisions under conditions of uncertainty. They are able to work well despite constant changes in their business that produce considerable ambiguity in every part of their operation.

Entrepreneurs take change and challenge in stride and actually seem to thrive on the fluidity and excitement of such undefined situations. Job security and retirement are generally not of great concern to them.

MODERATE RISK-TAKING AND RISK-SHARING

Despite the myth that suggests entrepreneurs are gamblers, quite the opposite is true. Effective entrepreneurs have been found, in general, to prefer taking moderate, calculated risks, where the chances of losing are neither so small as to be a sure thing nor so large as to be a considerable gamble. Like a parachutist, they are willing to take some measurable and predetermined risk.

The strategy of most entrepreneurs also includes involving other parties in their venture to share the burden of risk: Partners put money and reputations on the line; investors do likewise; and creditors and customers who advance payments, and suppliers who advance credit all share in the financial risk of the business.

RESPONSE TO FAILURE

Another important attribute of high-performance entrepreneurs is their ability to treat mistakes and failures as temporary setbacks on the way to accomplishing their goals. Unlike most people, the bruises of their defeats heal quickly. This allows them to return to the business world again soon after their failure.

Rather than hide from or dismiss their mistakes, entrepreneurs concede their errors and analyze the causes. They have the ability to come to terms with their mistakes, learn from them, correct them, and use them to prevent their recurrence. Successful entrepreneurs know that they have to take personal responsibility for either the success or the failure of their venture and not look for scapegoats when things do not work out. They know how to build on their successes and learn from their failures.

LOW NEED FOR STATUS AND POWER

Entrepreneurs derive great personal satisfaction from the challenge and excitement of creating and building their own business. They are driven by a high need for achievement rather than a desire for status and power. It is important, therefore, to recognize that power and status are a result of their activities and not the need that propels them.

In addition, when a strong need to control, influence, and gain power over other people characterizes the lead entrepreneur, more often than not the venture gets into trouble. A dictatorial and domineering management style makes it very difficult to attract and keep people in the business who are oriented toward achievement, responsibility, and results. Conflicts often erupt over who has the final say, and whose prerogatives are being infringed upon. Reserved parking spaces, the big corner office, and fancy automobiles become symbols of power and status that foster a value system and an organizational culture not usually conducive to growth. In such cases, the business's orientation toward its customers, its market, or its competitors is typically lost.

Successful entrepreneurs appear to have a capacity to exert influence on other people without formal power. They are skilled at "conflict resolution." They know when to use logic and when to persuade, when to make a concession and when to win one. In order to run a successful venture, entrepreneurs must learn to get along with many different constituencies, who often have conflicting aims — customers, suppliers, financial backers, and creditors, as well as partners and others inside the company.

INTEGRITY AND RELIABILITY

Long-term personal and business relationships are built on honesty and reliability. To survive in the long run, an approach of "Do what you say you are going to do!" is essential. With it the possibilities are unlimited. Investors, partners, customers, suppliers, and creditors all place a high value on these attributes. "Success" resulting from dishonest practices is really long-term failure. After all, anyone can lie, cheat, or steal and maybe get away with it once, but that is no way to build a successful entrepreneurial career.

Key points

TOP 10 CHARACTERISTICS OF SUCCESSFUL ENTREPRENEURS

1. **Creativity** — have the ability to look at problems and needs from different angles and “think outside the box”
2. **Goal-orientated** — constantly set goals for themselves that challenge their creativity and strengths
3. **Hard-working** — willing to work long hours to complete tasks, go the extra mile
4. **Commitment** — remain focused on an idea or task
5. **Willing to take the initiative** — always want to be first, do not sit back and wait for others to take the initiative
6. **Spirit of adventure** — willing to try something new and different, pioneer
7. **Positive attitude** — do not let minor setbacks hinder their progress toward their overall goal
8. **Self-confident** — believe in themselves and their idea
9. **Persistence** — keep working at a problem until they solve it or find an alternative
10. **Need to achieve** — strong desire to accomplish something in life and leave a legacy

TEAM BUILDER

Entrepreneurs who create and build successful businesses are not isolated, super-independent types of individuals. They do not feel they have to receive all of the credit for their success, nor do they feel they have to prove they did it all by themselves. Just the opposite situation actually tends to be true. Not only do they recognize that it is virtually impossible to build a substantial business by working alone, but they also actively build a team. They have an ability to inspire the people they attract to their venture by giving them responsibility and by sharing the credit for their accomplishments. This hero-making ability has been identified as a key attribute of many successful corporate managers as well.

In addition to these characteristics, other attributes that have been associated with successful entrepreneurs are the following:

1. They are determined to finish a project once it has been undertaken, even under difficult conditions.
2. They are dynamic individuals who do not accept the status quo and refuse to be restricted by habit and environment.
3. They are able to examine themselves and their ideas impartially.
4. They are not self-satisfied or complacent.
5. They are independent in making decisions while willing to listen to suggestions and advice from others.
6. They do not blame others or make excuses for their own errors or failures.
7. They have a rising level of aspirations and expectations.
8. They have a good grasp of general economic concepts.
9. They are mature, self-assured individuals who are able to interact well with people of varying personalities and values.
10. They are able to exercise control over their impulses and feelings.
11. They have the ability to make the very best of the resources at hand.

The consensus among most experts is that all of these personal characteristics can be worked on and improved through concerted practice and refinement. Some require greater effort than others, and much depends on an individual’s strength of motivation and commitment to grow. Developing these attributes should not be very different from personal growth and learning in many other areas of your life.

THE NOT-SO-LEARNABLE CHARACTERISTICS

The attributes listed next are those that many experts consider to be innate, and thus not acquirable to any great degree. Fortunately the list is quite short. It is from these not-so-learnable characteristics that the conclusion that entrepreneurs are “born, not made” is principally derived. However, while possessing all these attributes would be beneficial, there are many examples of successful business pioneers who lacked some of these characteristics or who possessed them to only a modest degree:

1. High energy, good health, and emotional stability
2. Creativity and an innovative nature
3. High intelligence and conceptual ability
4. The ability to see a better future and a capacity to inspire others to see it

It is apparent from this discussion that entrepreneurs work from a different set of assumptions than most “ordinary” people. They also tend to rely more on mental attitudes and philosophies based on these entrepreneurial attributes than on specific skills or organizational concepts.

Many of these points are summed up in “An Entrepreneur’s Creed” in the Key Points feature below, a general philosophy outlining the entrepreneurial approach to doing business.

PERSONAL SELF-ASSESSMENT

The purpose of this discussion has been to have you evaluate your personal attitudes, behaviour tendencies, and views to determine the extent to which you seem to fit the typical entrepreneurial profile. Now you should complete Figure 2.2 on page 38, the Personal Self-Assessment Questionnaire, which will help you summarize your feelings regarding your potential for self-employment.

Many of these attitudes are illustrated by the comments made by Tom Poole in *Entrepreneurs in Action #2* and Elizabeth Scott in *Entrepreneurs in Action #3*. Poole, for example, feels the principal character trait common to himself and other entrepreneurs is the “act of faith” — their strong belief that their concept or idea is “fantastic,” and their readiness to jump in with both feet. Is this approach always successful? Of course not. But by being flexible and driven by a strong desire to “make it,” he feels these individuals succeed more often than they should.

Key points

AN ENTREPRENEUR’S CREED

1. Do what gives you energy—have fun.
2. Figure out how to make it work.
3. Anything is possible if you believe you can do it.
4. If you don’t know it can’t be done, then you’ll go ahead and do it.
5. Be dissatisfied with the way things are—and look for ways to improve them.
6. Do things differently.
7. Businesses can fail. Successful entrepreneurs learn from failure—but keep the tuition low.
8. It’s easier to beg for forgiveness than to ask for permission in the first place.
9. Make opportunity and results your obsession—not money.
10. Making money is even more fun than spending it.
11. Take pride in your accomplishments—it’s contagious.
12. Sweat the details that are critical to success.
13. Make the pie bigger—don’t waste time trying to cut smaller pieces.
14. Play for the long haul. It’s rarely possible to get rich quickly.
15. Remember: Only the lead dog gets a change in scenery.

For Scott, business is a “gritty reality” involving constant responsibility and considerable stress rather than the glamorous lifestyle commonly perceived by the general public. Yet she and others like her are continually prepared to undertake such burdens. Why? Perhaps, she comments, it’s the need to challenge themselves, to test their potential, to push the boundaries, reach goals, fulfill a mission, and make this wonderful world better. After all, she reflects, is this not the essence of an unbridled human spirit?

2

Entrepreneurs in a c t i o n

The Entrepreneur Exposed

Over the years, people have asked me many questions about my business. But there are two questions I have found myself answering most often: “Why did you give up a promising career to leap into the world of the entrepreneur?” (which my father-in-law continues to ask me weekly) and, “Would you do it again?” For the longest time I was unable to provide good answers, and quite frankly, I never gave them much thought. However, as I grow older and perhaps more philosophical, I have pondered these questions. The answers are slowly beginning to take shape, and I believe my conclusions might shed some light on entrepreneurs in general.

I think the answers lie in a character trait common to most, if not all, entrepreneurs. By “entrepreneur,” I do not mean the corporate executive who takes an early retirement package to start a home-based consulting business (not that there’s anything wrong with that). I am talking about that crazy s.o.b. who quits his job as a C.A. and sells his mother to secure the capital needed to start a rubbish-collection company. Take a look around you at the entrepreneurs that you know. What do these people have in common? Are they all a little wacky? Eccentric? Unorthodox? Most likely; it goes with the territory.

If the prospective entrepreneur were reasonable and orthodox, he or she would use conventional methods of measuring the risk associated with giving up everything for a leap into the unknown. The consequence of conducting a proper “decision-tree” analysis would be that no one would ever take the step.

So how does an entrepreneur approach the “go/no-go” decision-making process? Well (at the risk of revealing that I never really had a master plan), I think the typical entrepreneur does some initial research, becomes absolutely convinced that his or her idea is fantastic, and jumps. This act of faith is the litmus test for entrepreneurs. Some people may decide

that an idea is great but requires more research, and some spend years explaining to their friends how they had developed the concept long before Ms. X (who went on to make a fortune with the idea). But true entrepreneurs leap in with both feet.

I decided to jump in February 1989. I quit my high-paying, secure job with a multinational company, moved my wife and two and one-half children into a camper van, and set out to find a business to run. My gamble paid off — the company I eventually bought has grown from three employees, a 1,800 square-foot “factory” and \$350,000 in annual sales to the current 800 employees, five production facilities and \$80 million-plus in revenue.

Do entrepreneurs always succeed? Of course not. We simply don’t hear as much about the failures. But entrepreneurs do succeed more often than circumstances suggest they should. Why? Often for what business schools call the “wrong” reasons: the speed of their decision-making, the dearth of analysis and the fact that they hold nothing back, financially, physically or emotionally. How do these seemingly irrational actions improve the chances of success? By acting quickly, the entrepreneur reduces the likelihood of having the idea “stolen”; the cursory analysis allows the entrepreneur to avoid an analysis-paralysis affliction; and by investing everything, the consequences of failure are so dire that . . . well, they just cannot afford to fail! . . .

Now back to the questions that I have been asked so many times over the years. First, why did I do it? Well, it was a “mix” of about one part crazy and two parts ignorance. And once I had taken the plunge, it was about 100 per cent fear. Most entrepreneurs, if pressed for an honest response, would likely acknowledge that their early days were not unlike mine.

Would I do it again? The answer is complicated. In this hypothetical situation, assuming I had the

knowledge I have now, the answer is a categorical “No.” Of course not. I would know that what I was undertaking was probably close to impossible. Equipped with this information, my analysis would result in a “no-go” decision. I may be crazy, but I’m not stupid!

But if you re-phrase the question and ask whether I would take another entrepreneurial plunge, the answer is “Yes, of course.” Why? I think the Steve Martin film *Parenthood* contains the best answer to that question. Toward the end of the movie, a mother explains life to her risk-averse son (Martin). She tells of being young and going to the fair with his father. He always wanted to ride on the merry-go-round, while she preferred the roller coaster. On the merry-go-round, she explained,

you saw the same things go by again and again. It became rather boring. The roller coaster, on the other hand, was exhilarating, sometimes even frightening. But once she had ridden the roller coaster, she could never go back to the merry-go-round.

So, having taken the plunge and ridden the roller coaster, I can never return to the merry-go-round. And to those of you who are riding the merry-go-round, mix yourself a cocktail consisting of one part crazy and two parts ignorance. Drink it in one gulp and go for the ride of your life. (www.seppfoods.com)

Source: Tom Poole, “The Entrepreneur Exposed,” *PROFIT* (PROFITguide.com), July 12, 2001. Used with permission.

3 Entrepreneurs in a c t i o n

Planet Entrepreneur

What galaxy was I visiting when I decided to become an entrepreneur!?

I ask this question every once in a while to relieve stress. For all the hype associated with entrepreneurship, the reality is anything but glamorous. The idea that entrepreneurs have plenty of time to enjoy foamy lattes, schmooze and parlay acquaintanceships into cash is largely fiction. Managing my business more often involves lunches at Taco Bell or Wrap-n-Go, with the odd flourish of warmth from a Second Cup coffee.

For an entrepreneur, responsibility, as Cervantes’ Don Quixote says of death, perches forever upon the shoulder. It is a constant companion, an ever-present reminder of the impact decisions and actions can have on the business and on others.

Running a company is much like caring for a family — I have one of those too. Mornings begin with getting everyone organized and making sure my two sons get to school with full knapsacks and lunchbags. I then step delicately through the blanket of paper that is my office floor and begin the day. My relationship with WOMAN newsmagazine is my third 24-hour-a-day commitment. Since each was born, Ben and Byron have rested on one shoulder, WOMAN on the other.

Why do entrepreneurs undertake such burdens? Why are we compelled to initiate action, solve problems, produce results? I suspect every entrepreneur has a unique response. Perhaps it’s the need to challenge ourselves, to test our potential, to push the boundaries, reach goals, fulfill a mission, make this wonderful world better. Is this not, after all, the essence of an unbridled human spirit?

In 1996 I launched WOMAN as a home-based business; I wanted to be in my own environment, accessible to my kids, do what I love and solve child-care dilemmas all at once. (Writing off the rent was also appealing.) But working from home is not for everyone. I sometimes long for a quiet place to go. But I’ve learned to work in close quarters with Super Nintendo. I’ve perfected focus, which has helped me manage the workload.

And there are small rewards. Ben and Byron sometimes join me at work-related events. Earlier this year, they came to a conference in Ottawa to listen to world-renowned women leaders. They found some speakers less than relevant, but not U.S. comedian Kathy Buckley. As she told of facing such monumental challenges as deafness, abuse and a tragic accident, her strength of spirit made a distinct impression, and may have instilled in them a

continued

Entrepreneurs in Action #3 — continued

new understanding of how I was able to launch WOMAN in the face of daunting odds.

Sharing the entrepreneurial experience with “the guys” somehow makes the responsibilities feel less onerous. Maybe the load seems lighter because I’m sharing it with people I care about. Which is why I’ve started to think maybe there is some truth in the perceptions that non-business owners have of entrepreneurs. For all the time we spend schmoozing

and talking, negotiating and forming strategic alliances, underneath it all perhaps we’re really reaching out to connect with someone to whom we think we may relate, to share our experiences, thoughts and self with another human being.

Source: Elizabeth Scott, “Planet Entrepreneur,” *PROFIT*, November 1999. Used with permission.

WHAT KIND OF ENTREPRENEUR ARE YOU LIKELY TO BE?

As you can see from the Entrepreneurs in Action examples, not all entrepreneurs are the same. John Warrillow, a Toronto-based marketing consultant, spent three years interviewing more than 500 small-business owners. He used that research to develop attitudinal profiles for three entrepreneurial archetypes:

CRAFTSPEOPLE Comprise 60 per cent of small business owners and derive their sense of self-worth from their mastery of a craft or trade. While they don’t think of themselves as entrepreneurs, they still have the resources and confidence to operate independently. They are more interested in developing their skills than growing their revenue and generally work alone or employ one other person, often a spouse.

FREEDOM FIGHTERS They work hard to control their own destiny. That’s because their prime motivator isn’t growth, but simply being in business for themselves. They comprise 30 per cent of all small businesses and typically employ 3 to 50 staff and grow less than 30 per cent a year. More than half the freedom fighters are college educated, and 30 per cent are women. They are more likely to hire family and tend to treat their staff as family members.

MOUNTAIN CLIMBERS They are the 10 per cent of growth-oriented business owners who are motivated almost solely by achievement, usually measured in terms of company growth. You can usually identify mountain climbers by the fact that their companies grow by more than 30 per cent annually. As a result, they are the most high-profile and high-profit group. More than 75 per cent have college or university degrees. These go-getters work long hours, and expect a lot from themselves and their staff. Eighty-three per cent claim to be married.¹

If you are planning to go into a business of your own, into which of these three groups do you think you would fall? Mountain climbers are the people we tend to read about in the newspapers and financial magazines and are likely to be the kind of individuals profiled throughout this book. It is important to recognize, however, that not everyone can or wants to be a mountain climber and there are many other opportunities for you to start a business and still be quite happy and do very well.

EVALUATING YOUR BUSINESS SKILLS

There is a lot more to succeeding as an entrepreneur than just having the proper background, attitudes, and lifestyle. This next section discusses another factor you should consider in assessing your potential for becoming a successful entrepreneur: Do you have the requisite managerial and administrative skills needed to manage and operate a business?

Possessing the necessary managerial skills is an essential ingredient to succeeding in any small venture. It is estimated that the principal reason for the failure of small firms is poor management. Witness the experience of restaurateurs Richard Jaffray and Scott Morison (Entrepreneurs in Action #4). They

1. Kara Kurylłowicz, “What Kind of Entrepreneur are You?,” *PROFIT* (2000).

thought they had learned a lot in building up their chain of Cactus Club Cafes in the lower mainland of British Columbia. They figured they “could do no wrong,” decided to branch out, and opened four additional Clubs, two each in Calgary and Edmonton. Within six months, they knew they had a problem, and six months later it all fell apart.

What could have gone wrong for these relatively seasoned entrepreneurs? “Everything,” says Jaffray. Restaurant locations were selected by price rather than by location as they had been in British Columbia. They changed the original concept of the restaurants and abandoned their long-time practice of grooming existing employees to take over the management of new restaurants. They neglected to take local culture into account and charged British Columbia prices, which were 10 per cent to 20 per cent higher than comparable price levels in Alberta. In the end, three of the four Alberta locations were closed and the whole experience ended up costing them about \$3 million.

Having learned their lesson and rebuilt the business in British Columbia, the pair are now looking to take their concept back into Alberta and also to the United States. This time they are not too worried. They feel they have been through it before and can be successful now. “Had we not gone right to the very bottom, I don’t think we’d be as successful as we are today,” says Jaffray.

4

Entrepreneurs in a c t i o n

Rock Bottom and Back

It’s 4:00 p.m. on a Monday, and business is booming in the newest uptown Vancouver location of Cactus Club Cafe. Hip young 20-somethings lounge in leather armchairs at tables surrounding a massive centrepiece mahogany bar, drinking Cactus Bellinis, a peach/rum/champagne/sangria slurpie billed as “better than sex.” Others relax in plush leather booths next to massive windows framed with crushed velvet drapes. Still others gather around glowing-eyed gargyle fountains, kibitzing with service staff as they sample diverse cuisine, ranging from jerk chicken and sea-salted fries to the Millionaire’s Cut filet mignon.

It’s an opulent yet informal, eclectic atmosphere that’s become the tongue-in-cheek trademark of restaurateurs Richard Jaffray and Scott Morison. From the bawdy paintings in heavy gilt frames to the glass-enclosed courtyard, river-rock fireplaces and signature moose heads, the new \$1.8-million restaurant is fanciful and fun. And that’s a key component in Cactus Club’s recipe for success, says Jaffray. The other ingredients? Innovative, high-quality food at a reasonable price, he says, and a service culture bent on entertaining customers. It’s a formula that’s proving popular with West Coast consumers, fuelling Cactus Club’s growth into a 10-chain restaurant with 1998 sales of \$20 million — up from \$17 million in 1997.

But that success hasn’t come without challenges. In 1996 an overzealous expansion into Alberta brought the company to the brink of ruin. Opening four restaurants in less than 15 months without adequate research and preparation proved nearly fatal, says Jaffray. Undaunted by the near-disaster, the



PERRY ZAVITZ

ambitious partners rolled up their sleeves to retrench and reorganize. . . . Their long-term goal? No less than 200 restaurants across Western Canada and

continued

Entrepreneurs in Action #4 — continued

the U.S. in the next 20 years. "Our objective," says Jaffray, "is to be the best upscale, casual, fun restaurant in North America." A lofty ambition, perhaps, but one the partners are confident they can meet by learning from their past mistakes and adhering to the first rule of business: know thy customers.

In fact, that axiom was instrumental in Jaffray's decision to abandon his initial idea of launching a company that would offer party cruises upon arriving in Vancouver from Calgary in 1984. After living in his '74 Dodge Dart at a local beach for a month, he discovered that Vancouver's often inclement weather isn't well suited to cruising.

Instead Jaffray began waiting tables for Earl's Restaurants Ltd., a popular family-restaurant chain. It was there he met Morison, a fellow waiter and would-be entrepreneur. Eager to strike out on their own, two years later the then 21-year-olds hatched a plan to capitalize on the popularity of Expo 86, launching an ice cream and cappuccino bar called Café Cucamongas.

Revenues reached \$250,000 in the first year, enough to attract the attention of the pair's former boss at Earl's, Stan Fuller. Impressed with the duo's enthusiasm and commitment, Fuller approached them in 1987 about a potential partnership in a new restaurant geared to a younger clientele. His timing was perfect, since Jaffray and Morison were already looking beyond Cucamongas. It was win-win, explains Jaffray. The partnership provided them with the capital they needed to develop a full-scale restaurant chain, plus access to Fuller's expertise and experience. In return, Earl's got an investment in a new market without having to manage it. . . .

Morison and Jaffray sold Cucamongas and wrangled a \$225,000 bank loan, giving them enough cash to finance their half-share in the new venture. In March 1988, the first Cactus Club Cafe opened in club-starved North Vancouver. The concept was simple: to combine the best attributes of a pub, restaurant and nightclub in a single nightspot. The vision, says Jaffray, was to establish a restaurant that would become a local neighborhood hangout, with its own character and vitality. A place where the food and atmosphere would entice customers into making a full night of it — not merely stop in for a drink or dinner.

Cactus Club seemed to fit the bill. Its quirky decor, music, party atmosphere and progressive menu proved popular with hip consumers. The menu featured Vancouver firsts such as tortilla wraps and microbrewed beer on tap. Staff, hired as much for their outgoing personalities as their waiting skills, were encouraged to engage and entertain customers. . . . By 1995 Cactus Club had grown to

include five restaurants in the lower mainland. "We could do no wrong," says Jaffray.

Emboldened, in 1996 Jaffray and Morison decided to branch out, opening four Cactus Clubs, two each in Calgary and Edmonton. "Within six months, we knew we were headed for trouble big time," says Jaffray. "Six months later, it all fell apart."

What went wrong? "Everything," says Jaffray. For starters, restaurant locations were chosen not by market research as they were in B.C., says Jaffray, but by price. They tweaked their original concept and ended up with more of a bar than a fun eatery. A longtime practice of grooming existing staff to take over the management of new restaurants was abandoned; they neglected to take into account local cultures such as Edmonton's tradition of "happy hour" discount drinks. Plus, they charged B.C. prices — 10% to 20% above local price point — despite the fact that Alberta costs were lower. Unimpressed by the West Coast whiz kids, customers stayed away.

Staunching mounting losses in Alberta consumed the pair's attention. The inevitable result — sales flat-lined and even dropped for their B.C. locations. . . . Within a year of opening in Alberta, they realized they would have to cut their losses or lose everything.

In the end, three of the four Alberta locations were closed. "The whole exercise cost about \$3 million," says Jaffray. "We've been paying it off for four years."

Fuller is impressed with the pair's courage. "To their credit, they rolled up their sleeves and changed direction," he says. "They went back to what they knew and then made it better, and worked themselves out of the hole." Indeed, getting back on track meant building change into the company's overall management philosophy. The menu for example, which had remained the same for two years, is now changed twice a year. Menu covers are updated every six weeks. . . . Staff are encouraged to use their own creativity when it comes to service, and managers are responsible for establishing and regularly updating goals. These initiatives seem to be working. Today Cactus Club's nine restaurants are all profitable, and posting annual sales increases of 5% to 22% for the past three years.

While Jaffray and Morison remain cautious about again expanding into a new market, they aren't overly worried. They've been through this before. "Had we not gone right to the very bottom, I don't think we'd be as successful as we are today," says Jaffray. "We now know all the things that can go wrong." (www.cactusclubcafe.com)

Source: Diane Luckow, "Rockbottomandback," *PROFIT*, April 1999, pp. 53–55. Reprinted with permission.

WHAT SKILLS ARE NEEDED BY SMALL-BUSINESS OWNERS?

Businesses, whether large or small, have to perform a number of diverse functions to operate successfully. An entrepreneur, because of the limited amount of resources (human and financial) at his or her disposal, faces a particularly difficult time.

The business skills required by an entrepreneur (or some other member of the organization) can be broken down by function, as shown in Table 2.1.

INVENTORY OF YOUR MANAGERIAL AND ADMINISTRATIVE SKILLS

Now that you understand the range of skills necessary to enable your new business to succeed, the Managerial Skills Inventory in Figure 2.3 on page 39 can be used to develop an inventory of your skills and capabilities in several aspects of management. Your present level of expertise may be anything from minimal to having a great deal of skill. The goal of the inventory is to assess your present skills, with the purpose of identifying areas that may need improvement. Since each of these management skills is not required at an equivalent level in all new business situations, completing this inventory might also provide you with some insight into the type of business opportunities for which you are best suited.

WHERE CAN YOU ACQUIRE THE NECESSARY SKILLS?

It should be apparent from the lengthy list in Table 2.1 that few people can expect to have a strong grasp of all of these skills prior to considering an entrepreneurial career. The key question then becomes where and how you can acquire these skills. The available means for developing these business skills are outlined below.

JOB EXPERIENCE

Every job you have had should have contributed to the development of some business skills. For example, working as an accountant might teach you:

1. How to prepare financial statements
2. How to make financial projections and manage money
3. How to determine the business's cash requirements, among other things

TABLE 2.1

BREAKDOWN OF ENTREPRENEURIAL BUSINESS SKILLS

<p>1. Managing money</p> <ol style="list-style-type: none"> a. Borrowing money and arranging financing b. Keeping financial records c. Managing cash flow d. Handling credit e. Buying insurance f. Reporting and paying taxes g. Budgeting <p>2. Managing people</p> <ol style="list-style-type: none"> a. Hiring employees b. Supervising employees c. Training employees d. Evaluating employees e. Motivating people f. Scheduling workers <p>3. Directing business operations</p> <ol style="list-style-type: none"> a. Purchasing supplies and raw materials b. Purchasing machinery and equipment 	<ol style="list-style-type: none"> c. Managing inventory d. Filling orders e. Managing facilities <p>4. Directing sales and marketing operations</p> <ol style="list-style-type: none"> a. Identifying different customer needs b. Developing new product and service ideas c. Deciding appropriate prices d. Developing promotional strategies e. Contacting customers and making sales f. Developing promotional material and media programs <p>5. Setting up a business</p> <ol style="list-style-type: none"> a. Choosing a location b. Obtaining licences and permits c. Choosing a form of organization and type of ownership d. Arranging initial financing e. Determining initial inventory requirements
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Working as a sales clerk might teach you:

1. How to sell
2. How to deal with the public
3. How to operate a cash register

Perhaps the best experience, however, is working for another entrepreneur. In that case you will learn to understand the overall process and skills required to operate your own business.

CLUB ACTIVITIES

Many of the functions that service clubs and similar organizations perform in planning and developing programs are similar to those performed by small businesses. Some examples of what can be learned from volunteer activities are:

1. How to organize and conduct fund-raising activities
2. How to promote the organization through public service announcements and free advertising
3. How to manage and coordinate the activities of other members of the organization

EDUCATION

Universities, community colleges, high schools, and government agencies such as local business development organizations and the Business Development Bank of Canada provide many programs and individual courses in which essential business-related skills can be acquired. Some examples of applicable skills that can be learned from these programs include:

1. Business skills (from particular business classes)
2. Socialization and communication skills (from all school activities)
3. Bookkeeping and record-keeping skills (from accounting classes)

YOUR FRIENDS

Most of us have friends who through their job experience and education can teach us valuable business skills. Some examples of useful information we may acquire from this source are:

1. Possible sources of financing
2. Assistance in selecting an appropriate distribution channel for your products
3. Information on the availability of appropriate sites or locations for your business
4. Sources for finding suitable employees

YOUR FAMILY

Growing up with an entrepreneur in the family is perhaps the best learning experience of all, even though you may not be aware of the value of this experience at the time. Some examples of what you might learn from other members of your family are:

1. How to deal with challenges and problems
2. How to make personal sacrifices and why
3. How to keep your personal life and business life separate
4. How to be responsible with money

HOME EXPERIENCES

Our everyday home experiences help us develop many business skills. Some examples of such skills are:

1. Budgeting income
2. Planning finances

3. Organizing activities and events
4. Buying wisely
5. Managing and dealing with people
6. Selling an idea

It can be hard for a single individual to wear all these “hats” at once. Partnerships or the use of outside technical or general business assistance can be an excellent supplement for any deficiencies in characteristics and skills a small-business owner may have. Thus, it often becomes essential to identify an individual, or individuals, who can help you when needed. This outside assistance might come from one of the following sources:

1. A spouse or family member
2. A formal partnership arrangement
3. Hired staff and employees
4. External professional consultants
5. A formal course or training program
6. Regular idea exchange meetings or networking with other entrepreneurs

ASSESSING YOUR PERSONAL FINANCIAL SITUATION

In addition to your managerial capabilities, your financial capacity will be a very important consideration in your decision as to whether an entrepreneurial career is right for you. It will certainly be a critical factor to those you may approach for a loan to provide investment capital for your venture.

YOUR PERSONAL BALANCE SHEET

Your personal balance sheet provides potential lenders with a view of your overall financial situation so they can assess the risk they will be assuming. Generally, if you are in a strong financial position, as indicated by a considerable net worth, you will be considered a desirable prospect. On the other hand, an entrepreneur with a weak financial position and a large number of outstanding debts may not meet the standards of most lenders.

From a personal standpoint, you might also want to reconsider becoming a small-business owner if you cannot afford a temporary or perhaps even a prolonged reduction in your personal income.

Your personal balance sheet includes a summary of all your assets — what you own that has some cash value — and your liabilities or debts. Preparing a personal balance sheet is a relatively simple process:

- **Step 1** Estimate the current market value of all your “assets” — the items you own that have cash value — and list them.
- **Step 2** Add up the value of these assets.
- **Step 3** List all your debts, also known as “liabilities.”
- **Step 4** Add up your liabilities.
- **Step 5** Deduct your total liabilities from your total assets to find your “net worth.”

Figure 2.4 on page 41 shows a Sample Balance Sheet Form that you can use to help organize your assets and liabilities. The items listed are not exhaustive; the form is provided only as a guide for thinking about your present position. Since every business opportunity has its own unique capital (money) requirements, there is no specific dollar value for the personal net worth necessary to start a business. However, you should keep in mind that most private lenders or lending institutions typically expect a new small-business owner to provide at least 40 to 50 per cent of the capital required for start-up. In addition, lenders consider the net worth position of prospective borrowers to determine their ability to repay the loan should the new business fail.

DEVELOPING A PERSONAL BUDGET

As well as determining your present net worth, you must also consider your personal living expenses when assessing your ability to provide the total financing needed to start a new business. In fact, you should evaluate your personal financial needs while in the process of determining whether an entrepreneurial career is right for you.

In some situations you will need to take money from the business each month to pay part or all of your personal living expenses. If such is the case, it is crucial that this amount be known and that at least that much be set aside to be paid out to you each month as a salary.

If your new business is starting off on a limited scale, you might wish to continue holding a regular job to cover your basic living expenses and provide some additional capital to your fledgling operation. In some cases, your spouse's income may be sufficient to cover the family's basic living expenses and it may not be necessary to consider your personal financial needs in making a go/no-go decision.

The Personal Living Expenses Worksheet shown in Figure 2.5 on page 43 is an effective means of estimating your present cost of living. From the totals on the worksheet, you can calculate the minimum amount of money you and your family will require on a regular monthly basis and determine from what sources this regular income will be obtained.

ARE YOU READY FOR AN ENTREPRENEURIAL CAREER?

EXTERNAL ROLE DEMANDS

It is not enough simply to possess a large number and high level of the characteristics previously discussed as prerequisites for a successful entrepreneurial career. There are also certain external conditions, pressures, and demands inherent in the small-business ownership role itself.

While successful entrepreneurs may share several characteristics with successful people in other careers, entrepreneurs' preference for and tolerance of the combination of requirements unique to their role is a major distinguishing feature.

Many of these requirements were mentioned earlier. What follows is a discussion of a few of the most relevant issues you should consider concerning your degree of readiness and preparedness for such a career.

NEED FOR TOTAL COMMITMENT

As an entrepreneur you must live with the challenge of trying first to survive in the business world, then to stay alive, and always to grow and withstand the competitive pressures of the marketplace. Almost any venture worth considering requires top priority on your time, emotions, and loyalty. As an entrepreneur you must be prepared to give "all you've got" to the building of your business, particularly during the initial stages of its development. Anything less than total commitment will likely result in failure.

MANAGEMENT OF STRESS

Stress, the emotional and physiological reaction to external events or circumstances, is an inevitable result of pursuing an entrepreneurial career option. Depending on how it is handled, stress can be either good or bad for an entrepreneur. The better you understand how you react to stressful situations, the better you will be able to maximize the positive aspects of these situations and minimize the negative aspects, such as exhaustion and frustration, before they lead to a serious problem.

Stress, in the short term, can produce excellent results, because of its relationship to the type of behaviour associated with entrepreneurial activities, especially during the start-up stage of a new business. There is some evidence that once individuals become accustomed to producing under stressful conditions, they seem to continue to respond in a positive manner; entrepreneurs tend to create new challenges to replace the ones they have already met, and to continue to respond to those challenges with a high level of effectiveness.

ECONOMIC AND PERSONAL VALUES

Entrepreneurs engaged in "for-profit" as opposed to social or "not-for-profit" organizations must share the basic values of the free enterprise system: private ownership, profits, capital gains, and growth. These dominant economic values need not exclude social or other values. However, the nature of the competitive market economy requires belief in, or at least respect for, these values.

DEALING WITH THE ETHICAL CHALLENGE

With the collapse of Enron and WorldCom and other incidents of a similar nature in the world of big business in recent years, a dramatic increase in the ethical expectations of all businesses and professionals has

occurred. Increasingly, consumers, clients, employees, and others are seeking out those who define the basic ground rules of their businesses on a day-to-day basis.

Entrepreneurs are typically faced with many ethical decisions. These may relate to such issues as potential conflicts of interest between your personal situation and the interests of your business; temptations to provide gifts, expensive entertainment, or even bribes or kickbacks to certain people or organizations in order to attract or influence their business activity; or the use of proprietary or confidential information in order to influence the outcome of a deal or a sale. To be successful as an entrepreneur, it is important that you act and conduct your business in an ethical manner, and the significance of ethics when initiating a new venture must be emphasized.

What specifically do we mean by “ethics”? One dictionary defines it as *the moral quality of a course of action; fitness; propriety*.² One could think of ethics as a set of principles outlining a behavioural code that lays out what is good and right or bad and wrong. Ethics may also outline obligations and appropriate moral actions for both the individual and the organization.³ The problem with these kinds of definitions, however, is that they think of ethics as a static description, implying that society universally agrees on certain fundamental principles that everyone regards as being “ethical.” With society being a dynamic and rapidly changing environment, however, such a consensus clearly does not exist. In fact, considerable conflict and general disagreement over what would be considered “ethical” in most decision situations is probably more typical.

Another dilemma for the entrepreneur is the issue of legal versus ethical considerations. Survival of their business is a strong motivating factor for most entrepreneurs and the question arises as to how far they can go in order to help their business become established and successful. The law provides the boundaries defining just what activities are illegal (although they are often subject to some interpretation) but it does not provide any specific guidance for ethical considerations. So what is legal and illegal is usually very clear but what is ethical and unethical is frequently not obvious. Rather, situations involving ethical issues are often very ambiguous.

Because the system is so unclear and filled with situations involving potential conflicts, entrepreneurs need to commit to a general strategy for ethical responsibility. Many professional organizations and business associations have a code of ethics that members are expected to follow. Failure to do so can result in expulsion from the organizations. Definity Global Solutions, an employee-recruiting agency in Toronto, for example, is a member of the Association of Canadian Search, Employment and Staffing Services (ACSESS) and prominently displays the association’s code of ethics on its Web site (definityglobal.ca/news.htm). This code is reproduced in the Key Points feature on the next page.

Many organizations, on the other hand, prefer to develop their own codes of ethics or conduct. These documents often lay out in considerable detail just how the company’s management and employees are expected to behave in particular situations and what the company feels is the right thing to do. Home Security Metal Products, a supplier of security systems and alarms in the Ottawa area, has developed a very specific code of conduct that spells out how its customers are to be treated and how particular situations are to be handled by its managers and employees (www3.simpatico.ca/rh.campbell/codeof.htm). The company would like to see its code accepted by others in the industry as well. This code is reproduced in the Key Points feature on page 31.

Having a code of ethics can be a great start but it may not be sufficient to take the greyness out of an ethical situation and help you to determine a solution. It is easy to charge ahead without thinking and then rationalize your decision after the fact. Kenneth Blanchard and Norman Vincent Peale suggest using an *Ethics Check* that helps you to sort out dilemmas by examining the situation at several different levels. Their Ethics Check is intended to help you clarify issues by addressing three questions when confronted with an ethical problem:

1. *Is it legal?*

Will you be violating either civil law or your organization’s code of ethics?

2. *The American Heritage Dictionary of the English Language*, 4th ed., William Morris, Ed. (Boston: Houghton Mifflin Company, 2000).

3. V.E. Henderson, “The Ethical Side of Enterprise,” *Sloan Management Review*, Spring 1982, p. 38.

Key points

DEFINITY GLOBAL SOLUTIONS INC. CODE OF ETHICS

1. We will serve our clients, candidates and employees faithfully, with integrity and professionally.
2. We will observe the highest principles of honesty and fair practice in dealing with clients, candidates, employees and all regulatory authorities, and will respect the confidentiality of records in accordance with law and good business practices.
3. We will provide leadership in the adherence to both the spirit and letter of all applicable human rights, employment laws and regulations. We will treat all candidates and employees without prejudice and will not accept an order from any client that is discriminatory in any way.
4. We will take all reasonable steps to provide clients with accurate information on each candidate's employment qualifications and experience, and will only present those candidates who have given us authorization to represent their application for employment.
5. We will supply candidates and employees with complete and accurate information as provided by the client, regarding terms of employment, job descriptions and workplace conditions.
6. We will not recruit, encourage or entice a candidate whom we have previously placed to leave the employ of clients, nor will we encourage or coerce an individual to leave any assignment before completion.
7. We will not restrict the right of a candidate or employee to accept employment of their choice.
8. We will maintain the highest standards of integrity in all forms of advertising, communications and solicitations, and will conduct our business in a manner designed to enhance the operation, image and reputation of the employment, recruitment and staffing services industry.
9. We will recognize and respect the rights and privileges of competitors in the true fashion of individual initiative and free enterprise and refrain from engaging in acts of unfair competition.
10. We will continually work toward strengthening our business relationships and continually improve our services.

Source: Definity Global Solutions Inc. (definityglobal.ca/news.htm), accessed December 11, 2003.

2. *Is it balanced?*

Is it fair to all concerned in the short term as well as the long term? Does it promote win-win relationships?

3. *How will it make you feel about yourself?*

Will it make you proud?

Would you feel good if your decision was published in the newspaper?

Would you feel good if your family knew about it?⁴

Regardless of the approach, having a code of ethics can be the foundation for the success of your business. By being honest and truthful and adhering to a clearly defined set of principles, not only will you feel good about yourself but you will also gain the respect of your customers, suppliers, bankers, and other business associates.

Consider the views of Elias Vamvakas of TLC Laser Eye Centres described in *Entrepreneurs in Action #5*. TLC clinics became the largest provider of laser eye surgery in the world, and Vamvakas attributes much of this success to the "goodwill cycle" the company created for the business and to a very conscious effort on its part to follow a specific set of ethical business practices. It is clear that integrity and ethical conduct can have a powerful impact on your success in creating a successful and growing business.

4. K. Blanchard and N.V. Peale, *The Power of Ethical Management* (New York: William Morrow and Co. Inc., 1988), p. 27.

**Key
points****HOME SECURITY METAL PRODUCTS
CODE OF ETHICS**

1. An outright sale of an alarm panel should be accompanied by an explanation of the purpose of the installer's code and the capability of the lockout feature. The installer's code will be changed only for both parties' protection during that time when the panel is being monitored by the alarm company. Should the customer decide to obtain his monitoring services elsewhere, the original company will always change the code back to factory default at no cost to the customer.
2. Panels purchased outright by a customer will never be locked by the alarm company providing the monitoring services.
3. All panels will be tested to the Central Station, and as much as is possible or practical, will have all programming checked via upload/download software at some time following the end of the installation to assure that the system will function properly in an emergency and is programmed properly.
4. All alarm panels will have an autotest programmed in for the protection of the client.
5. Customers will not be sold "proprietary" equipment that cannot be monitored elsewhere other than the original installing company's Central Station.
6. Customers will be fully trained by the alarm company in the use of the system, including ways to prevent common user-caused false alarms. Panels will be programmed as much as possible with false-alarm prevention codes designed to assist in preventing false dispatches by authorities.
7. Companies will not knowingly solicit other company's monitored accounts. Customers wishing to leave will be treated with the same respect due when they were paying customers. If approached by a client coming from another firm, a courtesy call to the other company is in order, letting the company know what the client is planning to do, and giving the company a chance to save the account.
8. Customers will not be marketed to in such a way as to deceptively lead them to believe they are being given a "free" alarm system, and will be told clearly up front that this is simply another way to "finance" their purchase of an alarm system.
9. Companies should use care and good taste in advertising, such that fear tactics are never employed to sell services.
10. Older customers should have special attention and training paid to them, to ensure that they are actually capable of using the alarm system properly, before they commit to purchase.
11. Companies should at all times make it a high priority to install systems using only the best of components highly rated to prevent false alarms.
12. Salesmen selling alarm systems will not knowingly sell system designs that their company's installers cannot actually provide, leaving frustrated and unhappy customers. Sales staff will not engage in selling practices that emphasize "mini-systems" solely for the purposes of obtaining more monitoring contracts with less installation time and work for installation staff. All options including full perimeter system protection will be outlined to the customer.
13. All commitment terms of any long-term contracts for monitoring services will be clearly explained to the buying customer. Customers should be given a copy of any agreement and encouraged to read it through and clarify points they don't understand.
14. Companies removing leased systems will make every effort to remove all accompanying decals from the premises when they remove the equipment.

5 *Entrepreneurs in* a c t i o n

Goodwill Hunting

Right from the beginning, we knew we had found a great business idea that we truly believed in, but the challenges of tackling a new, emerging industry were daunting. Looking back, we have learned that our success began with a “goodwill cycle” that started with ethical business practices. Doing the right thing, along with hard work, has sustained us through startup through the challenge of presenting public offerings, and still forms the basis of each decision to this day. It all started on the day I received a call from my best friend, Dr. Nick Nianiaris. He was completely exasperated with his friend and colleague, Dr. Jeff Machat, who was about to “throw away” his career. Dr. Machat, an award-winning ophthalmology graduate, had a potentially incredible future ahead of him, but he wanted to risk it all to perform a revolutionary new procedure called PRK (a procedure using a highly accurate laser to reshape the front part of a person’s eye, eliminating the need for contacts or glasses).

My job, as the only senior business person that these young doctors knew, was to convince the wayward Dr. Machat that he should get back to practicing medicine as a “real” doctor. But I couldn’t do it. He had traveled the world to study this new laser, and was extremely excited about the results. I was so impressed with his personality and drive that I became hooked on the same dream — we believed PRK would change the world as we knew it. TLC Laser Eye Centres was born.

We spent two years doing research on the procedure, the outcomes and other surgical business models throughout the world before raising the initial funds (\$1.5 million from three investors and mortgages on both Dr. Machat’s house and my own). Our time was filled with opportunities, decisions, and many hours of phone calls per week. It was difficult to decide upon an approach to entering this emerging industry. We considered setting up hospital associates, stand-alone clinics, and private clinics that simply rented equipment to doctors. We considered direct consumer marketing models as well as mobile systems. We even considered just being a financial company, providing consulting services and money to emerging practices. But as new partners, we made one key agreement: I would not be involved in clinical decisions and he would not be involved in business decisions.

We felt that the ultimate winner in this emerging industry would be the organization that provided the highest level of clinical care while maintaining a business environment founded on integrity and the desire to always do the right thing. We decided to never take short cuts or jeopardize clinical care to satisfy business or financial needs.



Following these principles set in motion what I call a “goodwill cycle.” Our company, with only one clinic in Windsor, Ontario, started to get a reputation for providing incredible results. It soon became one of the busiest clinics in the world, attracting worldwide attention. Dr. Machat was open to sharing his knowledge and experience. Doctors came from all over the world to talk with him, and manufacturers of lasers came with their blueprints and asked him to help with their designs. This openness and focus on positive clinical results attracted excellent doctors to TLC. Having the best doctors provided more referrals, leading to the opening of more clinics, which attracted more of the best doctors, and so on.

This goodwill cycle also extended to the staff, whose work involved helping people to see better. Positive affirmation (including hugs, chocolates, flowers and thank-yous) from delighted patients became a tremendous motivator. The staff loved their jobs and it began to show. Over the last five years, we have grown to employ close to 1,000 people. We currently hire more than two new employees every day. . . .

I have learned one very important lesson in business: Ethical business practices always work out for the best and unethical practices always result in disaster. Decisions about right and wrong need to be made every day. Will you strive to honor the intent of an agreement rather than the words that may be translated in your favor? Pay individuals what they deserve, not just what they will accept? Promote based on merit, not friendship? Try to preserve the reputation of competitors? We try to do the right thing, because although it may

take a while before actions produce the appropriate reaction, they always do.

In the early '90s, the thought of laser vision correction was preposterous. But the industry has outperformed everyone's expectations, growing close to 100% per year since U.S. FDA approval. And TLC is the largest provider of this service in the world. I believe that if you know what you are doing is right

and you really want to do it, you can achieve what others consider impossible.

Source: By Elias Vamvakas, Chairman and CEO, TLC Vision Corporation, "Goodwill Hunting,"

PROFITguide.com

(www.profitguide.com/shared/print.jsp?content=1035), accessed December 9, 2003.

A FINAL ANALYSIS

The Entrepreneurial Assessment Questionnaire in Figure 2.6 on page 44 is designed to help you recap your thinking concerning what you need to become a successful entrepreneur. The questions involve considerations at various stages of a business's development, and some may not be applicable to the stage you have currently reached in your business planning. However, you should answer all applicable questions.

If you have answered all the questions carefully, you've done some hard work and serious thinking. That's a positive step. If your answer to most of the questions was yes, you are on the right track. If you answered no to some questions, you have more work to do; these questions indicate areas where you need to know more or that you need to do something about. Do what you can for yourself, but don't hesitate to ask for help from other sources.

This assessment of your entrepreneurial potential is based on a series of self-evaluations, and for it to reveal anything meaningful, an absolute requirement is for you to be completely honest with yourself. This, however, is only the first step. The road to entrepreneurship is strewn with hazards and pitfalls and many who start on it fall by the wayside for one reason or another. However, those who persevere and reach the end by building a successful venture may realize considerable financial and psychological rewards as well as a lot of personal satisfaction.

The remainder of this book can help you evaluate other important parts of this process and improve your chances for success. It will help you decide what else you need to consider and enable you to go after it. Good luck!

Video Case #2



Reaching for the Heights

Summary

Contractor Steve Smith came up with an idea to make extension ladders safer. He thought he had a "can't miss" product, one that retailers would be begging for, so he created a company called Strong Arms to make and market his ladder accessories. But getting his product into hardware stores across Canada has been a tougher task than even he imagined.

Questions for Discussion

1. What benefits might Smith have derived if he had initially sought help from outside sources, such as the manager of his local Home Hardware store?
2. According to retailers, what elements are essential for the successful launch of a tangible product such as the Strong Arm?
3. Why aren't retailers more willing to be of assistance to a budding entrepreneur?
4. What are the benefits of licensing your product to a national company like Caradon versus simply marketing the product yourself?

FIGURE 2.1 ENTREPRENEURIAL QUIZ

Below are a number of questions dealing with your personal background, behavioural characteristics, and lifestyle patterns. Psychologists, venture capitalists, and others believe these to be related to entrepreneurial success. Answer each question by placing an "X" in the space that best reflects your personal views and attitudes. The most important result of this exercise will be an honest, accurate self-assessment of how you relate to each of these dimensions.

	Rarely or no	Mostly or yes
1. Are you prepared to make sacrifices in your family life and take a cut in pay to succeed in business?	_____	_____
2. Are you the kind of individual that once you decide to do something you'll do it and nothing can stop you?	_____	_____
3. When you begin a task, do you set clear goals and objectives for yourself?	_____	_____
4. When faced with a stalemated situation in a group setting, are you usually the one who breaks the logjam and gets the ball rolling again?	_____	_____
5. Do you commonly seek the advice of people who are older and more experienced than you are?	_____	_____
6. Even though people tell you "It can't be done" do you still have to find out for yourself?	_____	_____
7. When you do a good job, are you satisfied in knowing personally that the job has been well done?	_____	_____
8. Do you often feel, "That's just the way things are and there's nothing I can do about it"?	_____	_____
9. Do you need to know that something has been done successfully before, prior to trying it yourself?	_____	_____
10. Do you intentionally try to avoid situations where you have to converse with strangers?	_____	_____
11. Do you need a clear explanation of a task before proceeding with it?	_____	_____
12. Are you a good loser in competitive activities?	_____	_____
13. After a severe setback in a project, are you able to pick up the pieces and start over again?	_____	_____
14. Do you like the feeling of being in charge of other people?	_____	_____
15. Do you enjoy working on projects that you know will take a long time to complete successfully?	_____	_____
16. Do you consider ethics and honesty to be important ingredients for a successful career in business?	_____	_____
17. Have you previously been involved in starting things like service clubs, community organizations, charitable fund-raising projects, etc.?	_____	_____
18. Did your parents or grandparents ever own their own business?	_____	_____
19. When you think of your future do you ever envision yourself running your own business?	_____	_____

	Rarely or no	Mostly or yes
20. Do you try to do a job better than is expected of you?	_____	_____
21. Do you make suggestions about how things might be improved on your job?	_____	_____
22. Are you usually able to come up with more than one way to solve a problem?	_____	_____
23. Are you between 25 and 40 years of age?	_____	_____
24. Do you worry about what others think of you?	_____	_____
25. Do you read a lot of books, particularly fiction?	_____	_____
26. Do you take risks for the thrill of it?	_____	_____
27. Do you find it easy to get others to do something for you?	_____	_____
28. Has someone in your family shared with you his or her experience in starting a business?	_____	_____
29. Do you believe in organizing your tasks before getting started?	_____	_____
30. Do you get sick often?	_____	_____
31. Do you enjoy doing something just to prove you can?	_____	_____
32. Have you ever been fired from a job?	_____	_____
33. Do you find yourself constantly thinking up new ideas?	_____	_____
34. Do you prefer to let a friend decide on your social activities?	_____	_____
35. Did you like school?	_____	_____
36. Were you a very good student?	_____	_____
37. Did you "hang out" with a group in high school?	_____	_____
38. Did you actively participate in school activities or sports?	_____	_____
39. Do you like to take care of details?	_____	_____
40. Do you believe there should be security in a job?	_____	_____
41. Will you deliberately seek a direct confrontation to get needed results?	_____	_____
42. Were you the firstborn child?	_____	_____
43. Was your father or another older male generally present during your early life at home?	_____	_____
44. Were you expected to do odd jobs at home before 10 years of age?	_____	_____
45. Do you get bored easily?	_____	_____
46. Are you sometimes boastful about your accomplishments?	_____	_____
47. Can you concentrate on one subject for extended periods of time?	_____	_____
48. Do you, on occasion, need pep talks from others to keep you going?	_____	_____
49. Do you find unexpected energy resources as you tackle things you like?	_____	_____
50. Does personal satisfaction mean more to you than having money to spend on yourself?	_____	_____

continued

Entrepreneurial Quiz — continued

	Rarely or no	Mostly or yes
51. Do you enjoy socializing regularly?	_____	_____
52. Have you ever deliberately exceeded your authority at work?	_____	_____
53. Do you try to find the benefits in a bad situation?	_____	_____
54. Do you blame others when something goes wrong?	_____	_____
55. Do you enjoy tackling a task without knowing all the potential problems?	_____	_____
56. Do you persist when others tell you it can't be done?	_____	_____
57. Do you take rejection personally?	_____	_____
58. Do you believe you generally have a lot of good luck that explains your successes?	_____	_____
59. Are you likely to work long hours to accomplish a goal?	_____	_____
60. Do you enjoy being able to make your own decisions on the job?	_____	_____
61. Do you wake up happy most of the time?	_____	_____
62. Can you accept failure without admitting defeat?	_____	_____
63. Do you have a savings account and other personal investments?	_____	_____
64. Do you believe that entrepreneurs take a huge risk?	_____	_____
65. Do you feel that successful entrepreneurs must have advanced college degrees?	_____	_____
66. Do you strive to use past mistakes as a learning process?	_____	_____
67. Are you more people-oriented than goal-oriented?	_____	_____
68. Do you find that answers to problems come to you out of nowhere?	_____	_____
69. Do you enjoy finding an answer to a frustrating problem?	_____	_____
70. Do you prefer to be a loner when making a final decision?	_____	_____
71. Do your conversations discuss people more than events or ideas?	_____	_____
72. Do you feel good about yourself in spite of criticism by others?	_____	_____
73. Do you sleep as little as possible?	_____	_____
74. Did you ever have a small business of your own while in school?	_____	_____

Adapted from Judy Balogh et al., *Beyond a Dream: An Instructor's Guide for Small Business Explorations* (Columbus: Ohio State University, 1985), pp. 26–28.

ANSWERS TO THE ENTREPRENEURIAL QUIZ

The answers provided in Table 2.2 for the Entrepreneurial Quiz represent the responses that best exemplify the spirit, attitudes, and personal views of proven, successful entrepreneurs. Here they are *not* arranged in numerical order (1–74) but by the characteristic that they are measuring (personal background, behaviour patterns, and lifestyle factors).

TABLE 2.2 ANSWERS TO ENTREPRENEURIAL QUIZ**Personal Background**

<i>Most Desirable Response</i>	<i>Question Number</i>
Rarely or No	30, 36, 37, 43
Mostly or Yes	17, 18, 23, 28, 32, 35, 28, 42, 44, 74

Behaviour Patterns

<i>Most Desirable Response</i>	<i>Question Number</i>
Rarely or No	8, 9, 10, 11, 12, 14, 24, 39, 40, 48, 54, 57, 64, 65
Mostly or Yes	2, 4, 5, 6, 7, 13, 16, 20, 21, 22, 26, 27, 29, 31, 33, 41, 45, 46, 47, 49, 50, 52, 53, 55, 56, 58, 60, 61, 62, 66, 68, 69

Lifestyle Factors

<i>Most Desirable Response</i>	<i>Question Number</i>
Rarely or No	25, 34, 51, 67, 71
Mostly or Yes	1, 3, 15, 19, 59, 63, 70, 72, 73

WHAT IS YOUR SCORE?

Answering this questionnaire will let you determine the extent to which your responses match those that best exemplify the spirit, attitudes, and personal views of proven, successful entrepreneurs. To determine your score, count the number of your responses that appear to be correct in Table 2.2 and mark it in Table 2.3. Your responses in Table 2.3 have also been arranged by the characteristic they are measuring (your personal background, behaviour patterns, and lifestyle factors).

TABLE 2.3 SELF-ASSESSMENT: RESULTS

	Number of Most Desirable Responses
Your Personal Background	/14
Your Behaviour Patterns	/46
Your Lifestyle Factors	/14
Total Number of Most Desirable Responses	/74

WHAT DOES YOUR SCORE MEAN?

The Entrepreneurial Quiz is *not* intended to predict or determine your likely success or failure. However, if you answer and score the questionnaire honestly, it will provide considerable insight into whether you have the attitudes, lifestyle, and behavioural patterns consistent with successful entrepreneurship.

The higher your number of most desirable responses, the more your responses agree with those of successful entrepreneurs. High levels of agreement indicate that you *may* have the “right stuff” to succeed in an entrepreneurial career. You should make certain, however, that your responses reflect your real opinions and attitudes.

The word *may* is highlighted above because of the overwhelming importance of one particular set of attributes/characteristics: commitment, determination, and perseverance. Scoring well on the test is not necessarily a guarantee of entrepreneurial success. Anything less than total commitment to your venture, and considerable determination and perseverance, will likely result in failure, regardless of the degree to which you may possess other important attributes. Your total commitment and determination to succeed helps convince others to “come along for the ride.” If you are not totally committed, both financially and philosophically, to the venture, it is unlikely that potential partners, your employees, bankers, suppliers, and other creditors will have the confidence in you to provide the level of support your business will require.

FYI

FOR YOUR INFORMATION

Several other instruments are available that will also enable you to assess your potential for an entrepreneurial career. You might check out:

“Am I an Entrepreneur?” Self-Assessment Quiz This quiz will allow you to compare yourself with successful self-made businesspeople on some key traits and characteristics. It provides a comprehensive individual assessment and will give you some insight into your own distinctive style. (www.wd.gc.ca/apps/amiantent.nsf)

National Entrepreneurship Test A light-hearted test from *PROFIT* magazine that enables you to rate your business potential. (www.profitguide.com/quizzes/entre.asp)

Entrepreneurial Self-Assessment A questionnaire from the Business Development Bank of Canada on attitude and lifestyle that will enable you to assess how consistent your character is with that of proven successful entrepreneurs. (www.bdc.ca/en/business_tools/entrepreneurial_self-Assessment/Entrepreneurial_self_assessment.htm)

The Entrepreneur Test Do you have what it takes to succeed as an entrepreneur? This interactive quiz will help you assess your entrepreneurial skills and indicate to what extent you have the personal traits important to a business owner. (www.bizmove.com/other/quiz.htm)

FIGURE 2.2 PERSONAL SELF-ASSESSMENT QUESTIONNAIRE

1. What personal weaknesses did you discover from analyzing your responses to the questionnaire?

2. Do you feel you can be an entrepreneur in spite of these weaknesses?

3. What can you do to improve your areas of weakness?

4. What did the questionnaire indicate as your strengths?

5. Do your strengths compensate for your weaknesses?

6. Does your lifestyle appear to be compatible with the demands of an entrepreneurial career?

FIGURE 2.3 MANAGERIAL SKILLS INVENTORY

The following questionnaire can be used to develop an inventory of your skills and capabilities in each of the five areas of management outlined in this Stage. For each management area, the questionnaire lists some corresponding skills. Rate your present level of expertise for each skill listed by placing an "X" under the appropriate number in the charts below (1 indicates minimal skill, while 5 indicates a great deal of skill). Beneath each section, in the space provided, briefly describe where and when you obtained this experience.

The goal of this inventory is to assess the level of your present skills, with the purpose of identifying areas that may need improvement.

MONEY MANAGEMENT	1	2	3	4	5
Borrowing money and arranging financing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Keeping financial records	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cash flow management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Handling credit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Buying insurance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reporting and paying taxes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Budgeting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

continued

Managerial Skills Inventory — continued

Describe where and when you obtained this expertise.

MANAGING PEOPLE

	1	2	3	4	5
Hiring employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Supervising employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Training employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Evaluating employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Motivating people	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Scheduling workers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Describe where and when you obtained this expertise.

DIRECTING BUSINESS OPERATIONS

	1	2	3	4	5
Purchasing supplies and raw materials	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Purchasing machinery and equipment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Managing inventory	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Filling orders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Managing facilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Describe where and when you obtained this expertise.

DIRECTING SALES AND MARKETING OPERATIONS

	1	2	3	4	5
Identifying different customer needs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Developing new product and service ideas	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Deciding appropriate prices	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Developing promotional strategies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Contacting customers and making sales	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Developing promotional material and a media program	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Describe where and when you obtained this expertise.

SETTING UP A BUSINESS

	1	2	3	4	5
Choosing a location	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Obtaining licences and permits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Choosing a form of organization and type of ownership	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Arranging initial financing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Determining initial inventory requirements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Describe where and when you obtained this expertise.

FIGURE 2.4 SAMPLE BALANCE SHEET FORM

Name: _____

**BALANCE SHEET
as of**

(Month) (Day) (Year)

ASSETS

Cash & cash equivalents

- Cash _____
- Chequing/savings _____
- Canada Savings Bonds _____
- Treasury bills _____
- Short-term deposits _____
- Money market funds _____
- Other _____

Subtotal _____

Business/property

- Investment property _____
- Business Interests _____

Subtotal _____

Registered assets

- Registered Retirement Saving Plan (RRSP) _____
- Employer's pension plan
(Registered Pension Plan: RPP) _____
- Registered Retirement Income Fund (RRIF) _____
- Deferred Profit Sharing Plan (DPSP) _____
- Other _____

Subtotal _____

Personal Property

- Home _____
- Seasonal home _____

continued

Sample Balance Sheet Form — continued

Cars and/or other vehicles	_____	
Equipment	_____	
Collectibles (art)	_____	
Jewellery	_____	
Household furnishings	_____	
Subtotal		_____
Investments		
Guaranteed Income Certificate (GIC) and term deposits	_____	
Mutual funds	_____	
Stocks	_____	
Bonds	_____	
Life insurance (cash surrender value)	_____	
Provincial stock savings plan	_____	
Subtotal		_____
TOTAL		_____ (A)
LIABILITIES		
Short-term		
Credit card debt	_____	
Personal line of credit, margin account	_____	
Instalment loans (e.g., car, furniture, personal loans)	_____	
Demand loans	_____	
Loans for investment purposes	_____	
Tax owing (income and property)	_____	
Other	_____	
Subtotal		_____
Long-term		
Mortgage — home	_____	
Mortgage — seasonal home	_____	
Mortgage — investment property	_____	
Other	_____	
Subtotal		_____
TOTAL		_____ (B)
NET WORTH ANALYSIS		
Liquid assets vs. short-term debt		
Total assets	_____	(A)
Total liabilities	_____	(B)
Assets exceed debt by	_____	
(Debt exceeds assets by)	_____	
Debt-equity ratio (liabilities/net worth)	_____	
Net worth (assets less total liabilities)		_____ (A – B)

**FIGURE 2.5 PERSONAL LIVING EXPENSES WORKSHEET—
DETAILED BUDGET***
1. REGULAR MONTHLY PAYMENTS

Rent or house payments (including taxes)	\$ _____
Car payments (including insurance)	_____
Appliances/TV payments	_____
Home improvement loan payments	_____
Personal loan payments	_____
Health plan payments	_____
Life insurance premiums	_____
Other insurance premiums	_____
Miscellaneous payments	_____
Total	\$ _____

2. FOOD EXPENSE

Food at home	\$ _____
Food away from home	_____
Total	\$ _____

3. PERSONAL EXPENSES

Clothing, cleaning, laundry, shoe repair	\$ _____
Drugs	_____
Doctors and dentists	_____
Education	_____
Union and/or professional dues	_____
Gifts and charitable contributions	_____
Travel	_____
Newspapers, magazines, books	_____
Auto upkeep, gas, and parking	_____
Spending money, allowances	_____
Total	\$ _____

4. HOUSEHOLD OPERATING EXPENSES

Telephone	\$ _____
Gas and electricity	_____
Water	_____
Other household expenses, repairs, maintenance	_____
Total	\$ _____

GRAND TOTAL

1. Regular monthly payments	\$ _____
2. Food expense	_____
3. Personal expenses	_____
4. Household operating expenses	_____
Total Monthly Expenses	\$ _____

*This budget should be based on an estimate of your financial requirements for an average month based on a recent 3- to 6-month period, and should not include purchases of any new items except emergency replacements.

FIGURE 2.6 ENTREPRENEURIAL ASSESSMENT QUESTIONNAIRE

WHAT ABOUT YOU?	YES	NO
1. Are you the kind of person who can get a business started and run it successfully?	_____	_____
2. Think about why you want to own your own business. Do you want it enough to work long hours without knowing how much money you'll end up with?	_____	_____
3. Does your family go along with your plan to start a business of your own?	_____	_____
4. Have you ever worked in a business similar to the one you want to start?	_____	_____
5. Have you ever worked for someone else as a supervisor or manager?	_____	_____
6. Have you had any business training in school?	_____	_____
WHAT ABOUT THE MONEY?		
7. Have you saved any money?	_____	_____
8. Do you know how much money you will need to get your business started?	_____	_____
9. Have you figured out whether you could make more money working for someone else?	_____	_____
10. Have you determined how much of your own money you can put into the business?	_____	_____
11. Do you know how much credit you can get from your suppliers — the people from whom you will buy?	_____	_____
12. Do you know where you can borrow the rest of the money needed to start your business?	_____	_____
13. Have you figured out your expected net income per year from the business? (Include your salary and a return on the money you have invested.)	_____	_____
14. Can you live on less than this so that you can use some of it to help your business grow?	_____	_____
15. Have you talked to a banker about your plans?	_____	_____
YOUR BUSINESS AND THE LAW		
16. Do you know what licences and permits you need?	_____	_____
17. Do you know what business laws you have to obey?	_____	_____
18. Have you talked to a lawyer about your proposed business?	_____	_____
HOW ABOUT A PARTNER?		
19. If you need a partner who has money or know-how, do you know someone who will fit — someone with whom you can get along?	_____	_____
20. Do you know the good and bad points about going it alone, having a partner, and incorporating your business?	_____	_____
WHAT ABOUT YOUR CUSTOMERS?		
21. Do most businesses in your community seem to be doing well?	_____	_____
22. Have you tried to find out how well businesses similar to the one you want to open are doing in your community and in the rest of the country?	_____	_____
23. Do you know what kind of people will want to buy what you plan to sell?	_____	_____
24. Do such people live in the area where you want to open your business?	_____	_____
25. Do you feel they need a business like yours?	_____	_____
26. If not, have you thought about opening a different kind of business or going to another neighbourhood?	_____	_____

