

Assessing Your Potential for an Entrepreneurial Career

The discussion in Stage 1 should have served to dispel many of the popular myths concerning entrepreneurship. This section will expand upon the theme of entrepreneurial characteristics by proposing and discussing two important questions which 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

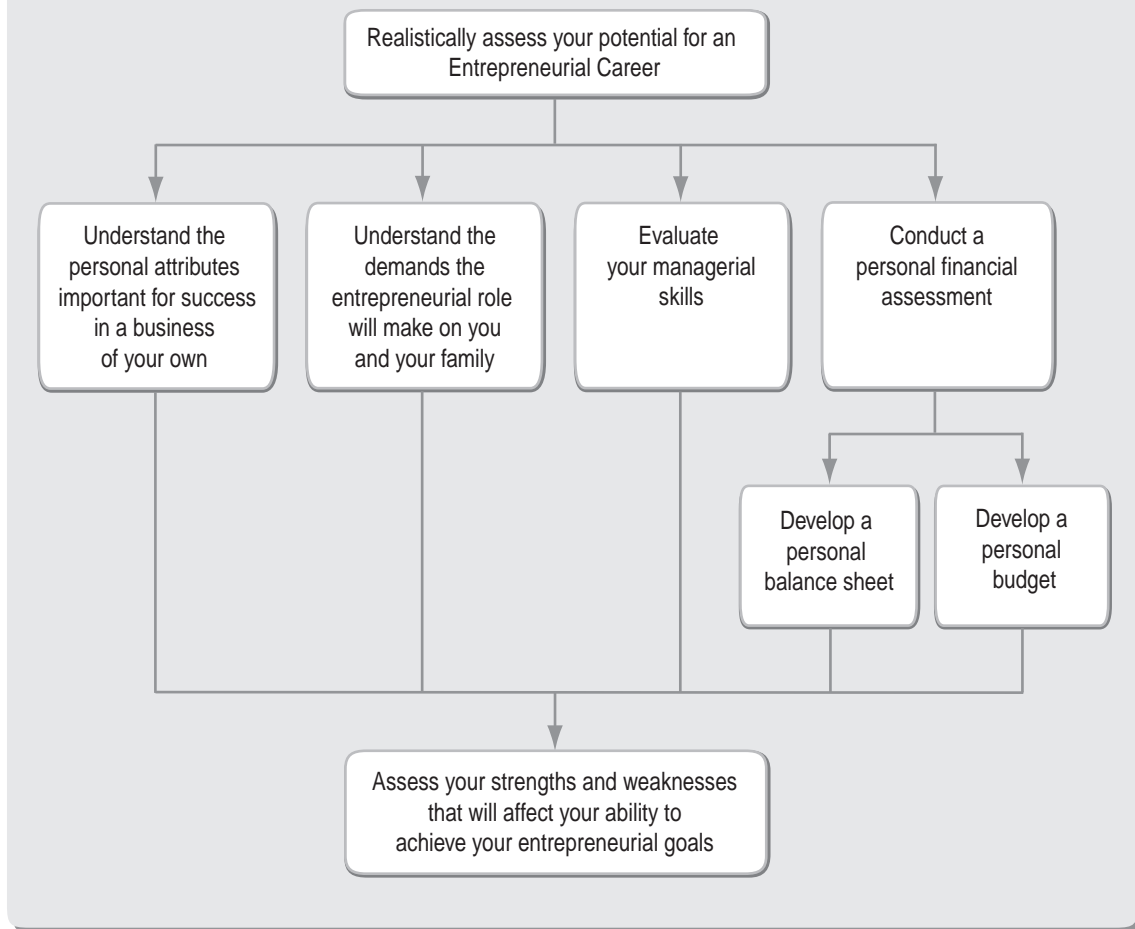
While most writers in the field of entrepreneurship agree that there is no single profile, no specific set of characteristics, that defines a successful entrepreneur, there do appear to be some common attributes, abilities, and attitudes. Prior to our discussion of these entrepreneurial characteristics, it is suggested that you take the Entrepreneurial Quiz that appears as Figure 2.1. 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 very desirable, also, 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 to just 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 to 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.



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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' orientation toward their customers, their market, or their competitors is typically lost.

Successful entrepreneurs appear to have a capacity to exert influence among 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.

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.

Key points

TOP ENTREPRENEURS TEND TO HAVE:

- Integrity They stick to their principles, even when it is difficult to do so
- Initiative They plan over a year ahead but the here-and-now can sometimes be forgotten
- Commitment They have a tremendous capacity for grueling hard work
- Drive and Determination They are motivated by beating standards of excellence and have little time for those who merely want to get home to “see their children”
- Confidence They have infectious self-belief
- Self-direction They focus on areas they find exciting and do not dwell on failures
- Single-Mindedness They do not tolerate poor performance and find it difficult to listen to others
- Selling Ability They use energy, enthusiasm, and vision to persuade and sell their ideas to others
- Leadership They can spot talent and inspire others

Source: The Hay Group, “What Makes a Great Entrepreneur,” as reported in The Daily Telegraph, 28 June 2001, p.A9.

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 conviction 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 the “Entrepreneur’s Creed,” a general philosophy outlining the entrepreneurial approach to doing business.

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.

ANSWERS TO THE ENTREPRENEURIAL QUIZ

The answers provided in Table 2.1 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 2.1 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 in Table 2.1 and mark it in Table 2.2. Your responses in Table 2.2 have also been arranged by the characteristic they are measuring (your personal background, behaviour patterns, and lifestyle factors).

TABLE 2.2 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

There are several other instruments 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 which will allow you to compare yourself with successful self-made business people 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 to enable you to rate your business potential from *PROFIT* magazine that enables you to rate your business potential. (www.profitguide.com/I/I1-01.asp)

Entrepreneurial Self Test

A questionnaire from the Business Development Bank of Canada on attitude and lifestyle that will enable you assess how consistent your character is with that of a proven successful entrepreneurs. (www.bdc.ca/scripts/site/display-tools.asp?&chk=1&language=eng&node_ID=40&module_ID=41&module_code=tools_self_assessment)

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, 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 traits 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.

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 conse-

quence 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 analy-

sis 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!

Am I suggesting that entrepreneurs are not always insightful business geniuses? Yes. Just take a look at how many entrepreneurs started out to make horse blankets and ended up making evening gowns. Their re-focus is seldom the unfolding of an elaborate business plan; rather, it is the result of the survival instinct kicking in. From experience I can tell you that there is no adage truer than "necessity is the mother of invention." When the wolf is at the door, ingenuity is indeed at its best.

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.

Source: Tom Poole, "The Entrepreneur Exposed," *PROFITguide.com*, http://www.profitguide.com/firstperson/F1_poole.html, accessed December 7, 2001.

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 chal-

lenge 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 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. (www.womanmag.com)

Source: Elizabeth Scott, "Planet Entrepreneur," *PROFIT: The magazine for Canadian Entrepreneurs* (November 1999): 75.

WHAT KIND OF ENTREPRENEUR ARE YOU LIKELY TO BE?

As you can see from these few 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.

1. Kara Kuryllowicz, "What Kind of Entrepreneur are You?," *PROFIT: The Magazine for Canadian Entrepreneurs*, (2000): ?.

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 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 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 B.C. 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 B.C. 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 B.C., 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 gargoyle 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



PERRY ZAVITZ

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 ambitious partners rolled up their sleeves to retrench and reorganize. The firm's 1999 sales are expected to climb to \$24 million, says Jaffray, and the partners have set Cactus Club on a new course for steady yet cautious growth. Their long-term goal? No less than 200 restaurants across Western Canada and 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. The pair were even given access to Earl's budgets and financial statements. "It allowed us to see some of the inner workings of another organization," says Jaffray, "and the struggles they were going through."

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 Café 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 handout,

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. One waiter proved especially adept, for instance, at organizing an impromptu limbo contest. 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 points — 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 flatlined and even dropped for their B.C. locations. "We were trying to put out a fire in the corner," says Jaffray, "but in the meantime the whole house was burning down." 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. To foster a team spirit and keep their 800 employees informed on the company's

progress, Jaffray and Morison now practice open-book management. 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."

Source: Diane Luckow, "Rockbottomandback," *PROFIT: The Magazine for Canadian Entrepreneurs*, 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 2.3.

TABLE 2.3

BREAKDOWN OF ENTREPRENEURIAL BUSINESS SKILLS

1. Managing Money

- 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

2. Managing people

- a. Hiring employees
- b. Supervising employees
- c. Training employees
- d. Evaluating employees
- e. Motivating people
- f. Scheduling workers

3. Directing business operations

- a. Purchasing supplies and raw materials
- b. Purchasing machinery and equipment
- c. Managing inventory
- d. Filling orders
- e. Managing facilities

4. Directing sales and marketing operations

- 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

5. Setting up a business

- 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

WHERE CAN YOU ACQUIRE THE NECESSARY SKILLS?

It should be apparent from this lengthy list 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

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 fundraising 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, and 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 which 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

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 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.

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 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 a prospective borrower to determine their ability to repay the loan should the new business fail.

In *Entrepreneurs in Action* #5 for example, consider the “Financial Snapshot” provided for Carlyle Jansen. Jansen is a young person who has recently gone into a business of her own. The Snapshot illustrates a typical financial position for someone in that situation with relatively few other assets. She does, however, have the advantage of having received a small inheritance from a number of great-aunts, which has been invested in a variety of mutual funds and used as collateral for a line of credit to provide the working capital to run her business. Her only liability is a \$10,000 loan she obtained from her family to acquire the equity interest in her business. Her balance sheet shows a nominal net worth of just over \$27,000, which leaves her a long way from her long-term goal of being able to retire and not be poor.

5

Entrepreneurs in a c t i o n

A Business for Her

Visit Toronto’s Harbord Street between Spadina and Bathurst and you’ll find one of the city’s most intriguing retail strips. Among the shops are the venerable Toronto Women’s Book Store, which opened nearly a quarter-century ago, along with Parentbooks, WonderWorks (which focuses on nature and spirituality), Drum Travel Co-operative, responsible-tourism experts, and, since May 1997, Good For Her, a store devoted to “Celebrating Women’s Sexuality.”

Discreetly tucked into a house-turned-retail-outlet, Good For Her offers “women and their admirers a cozy, comfortable place” to buy educational and erotic books, videos and magazines, condoms, lubricants and the like. The store also hosts workshops and seminars (sample titles: “Women’s Sex Toys 101,” “Herbal Aphrodisiacs and Sensual Oils,” “Midlife, Menopause and Sexuality”).

Good For Her is the dream child of 32-year-old Carlyle Jansen, and it’s a business that’s very much an outgrowth of its founder’s story. Born in Toronto to two doctors, Jansen grew up in middle-class comfort. Inheritances from five great-aunts financed her arrival in 1984 at the University of British Columbia. She recalls, “I didn’t know what I wanted to do, but I knew I didn’t want to go into business.” She embarked on an arts degree, then laughs heartily as she explains, “I really don’t remember applying, but in second year, I found myself in the Faculty of Commerce.”

Here, Jansen discovered her interest in small busi-

ness. She graduated in 1990 with a Bachelor of Commerce and a specialization in organizational behavior. By then, she’d also spent time with the Canada World Youth Program in Prince Edward Island and on a cultural exchange in Sri Lanka. In addition, she had lived at L’Arche Daybreak in Richmond Hill, Ont., a community for adults with developmental disabilities and those who wish to live and learn with them.

Jansen went on to complete the Canadian Securities Course. Her first job on graduation was in Old Crow, a Yukon community north of the Arctic Circle, where she worked for the local First Nations government, helping to establish sound accounting practices and later with land-claims negotiations. In Old Crow, Jansen met a number of people dealing with alcoholism and other social challenges, and inspired by their work, she went to Edmonton in 1992 to take the training required to become a life-skills coach. However, work in the field did not materialize, and after stints as a bicycle courier and waitress, she moved to Seattle in January 1993. Financed by an RESP held by her parents, Jansen took a master’s degree at Antioch University in whole-systems design, focusing on how more effective interaction can be encouraged in educational settings.

In May 1995, Jansen attended a bridal shower in Toronto for her sister. Her gift was a selection of sex toys—definitely an unconventional choice—but far from being shocked, her sister’s friends wanted to know all about them. In fact, they were so impressed

by Jansen's knowledge and ease, they told her she should start giving seminars on the topic.

At the same time, her studies at Antioch were helping her hone the communication and education skills she'd been developing ever since taking up her specialty in organizational behavior at UBC.

When she realized her chosen field was overcrowded, she decided to take her sister's friends' advice. That group of women became the first to attend one of what Jansen called "Playshops

in Sensuality for Women." Although the playshops never brought in a proper income, Jansen still had inheritance money from her UBC days, and an inexpensive living arrangement with her mother.

Meanwhile, the playshop participants repeatedly told Jansen they wanted to be able to buy the products she was showing them in an environment they found comfortable. Jansen's life changed yet again. In May 1996, she began doing the research that culminated in the opening of Good For Her. She designed a two-year business plan that accurately predicted her sales and expenses to date, and she has recently updated the plan.

Good For Her was launched with family money — Jansen holds personal liability for \$10,000 she borrowed to buy her own common shares (and thus all voting rights) in the business. In addition, preferred shares were sold to family members. Jansen plans to buy them back at some point; she realizes she'll need a consultation

with her accountant to determine whether the buyback should be done by herself or the corporation. The preferred shares will eventually be repaid with dividends — in a relaxed kind of way. "that's the great thing about family," says Jansen. "I'll pay dividends when I can afford it."

While the store isn't turning much of a profit yet, Jansen is able to support herself on its proceeds and has hired some part-time help as well. The salary she draws is modest — \$1,200 per month — but her current low rent of \$400 per month in the apartment she shares with a roommate helps her make do.

The inheritance money she's husbanded so carefully

over the years also comes in handy now that Jansen's in business. Invested in mutual funds with a current value of \$25,000, Jansen uses it as collateral against a line of credit. The corporation, she explains, pays prime plus 1%, but her fund earns money at a higher rate. In addition, Jansen has \$11,000 in RRSPs: 80% held in the Ethical Growth fund, the remainder in foreign vehicles. She admits she's "not really able to save money right now." But she doesn't have grand plans for old age: "I just want to be able to retire and not be poor."

Jansen isn't driven by money, but she does want also eventually to garner enough spare money and time to raise a family. Currently she puts in a 60-hour week handling sales, managing relations with over 100 suppliers and organizing workshops and seminars hosted by the store. She hopes that as Good For Her becomes established, she'll be able to whittle that commitment down to 30 hours per week. She wants her future children to have "access to what I had access to." That means, at the very least, a university education. Her plan doesn't involve a family homestead, though. She has no desire for home ownership, considering herself better off with extra cash and no repair bills. "Houses sometimes appreciate and sometimes don't," she explains. "That's true for mutual funds, too, but I think the batting average there is better."

As is obvious by now, Jansen isn't driven by money.

In fact, she asserts, "I can live cheaply," and she doesn't mind doing it. What's really important is having enough to allow her to fulfil her dreams of raising a family and continuing the work that Good For Her represents: "I see women's sexuality as always being important to me. So many women want resources and information to feel comfortable about their sexuality." (www.goodforher.com/)

Source: Sibylle Preuschat, "A Business for Her," *The Financial Post Magazine*, February, 1999, pp. 63-65. Reprinted with permission.

FINANCIAL SNAPSHOT

Income	
14,000	Income from business
1,200	Income from investments
\$15,600	Total income
Expenses	
4,800	Rent
240	Deductions
1,369	Income tax
1,200	RRSP contributions
2,400	Food
1,800	Entertainment
635	Household expenses
600	Clothing
900	Investments
240	Gifts
600	Vacation
240	Educational expenses
576	Club memberships
\$15,600	Total expenditure
Assets	
1,200	Furnishings
11,000	RRSPs
25,000	Investments
\$37,200	Total
Liabilities	
10,000	Family loan
\$10,000	Total
\$27,200	Net worth

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.

Carlyle Jansen's Financial Snapshot also illustrates her annual expenses in relation to her annual income of \$15,600. She only takes a modest salary of \$1,200 a month from the business since her living expenses are very low and she figures she can live "cheaply" and doesn't mind doing it. Her largest expenses are for rent (\$400/month), food (\$200/month) and income tax (\$150/month). Her other expenses are very small and probably much lower than a typical middle-class person living in Toronto. She has recently sold her car but has not made any financial provision for transportation. This may create a real problem for her should she decide to replace it. It is estimated that it costs roughly \$4,000 a year to maintain a car in the city and she hadn't made any provision for this level of expense in her budget.

The Personal Living Expenses Worksheet shown in Figure 2.5 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?

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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 have been alluded to 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.

A FINAL ANALYSIS

The Entrepreneurial Assessment Questionnaire in Figure 2.6 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’ 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!

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?	_____	_____

	Rarely or no	Mostly or yes
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 which 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?	_____	_____
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 his or her experience in starting a business with you?	_____	_____
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?	_____	_____

continued

Entrepreneurial Quiz — continued

	Rarely or no	Mostly or yes
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?	_____	_____
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?	_____	_____

	Rarely or no	Mostly or yes
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.

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 the Courseware. 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 which 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"/>

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

RRSPs	_____
Employer's pension plan (RPP)	_____
RRIFs	_____
DPSPs	_____
Other	_____

Subtotal

Personal Property

Home	_____
Seasonal home	_____
Cars and/or other vehicles	_____
Equipment	_____
Collectibles (art)	_____
Jewelry	_____
Household furnishings	_____

Subtotal

Investments

GICs and term deposits	_____
Mutual funds	_____
Stocks	_____
Bonds	_____
Life insurance (cash surrender value)	_____
Provincial stock savings plan	_____

Subtotal

TOTAL

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		_____

NET WORTH ANALYSIS**Liquid assets vs. short-term debt**

Total assets	_____	
Total liabilities	_____	
Assets exceed debt by	_____	
(Debt exceeds assets by)	_____	
Debt-equity ratio (liabilities/net worth)	_____	
Net worth (assets less total liabilities)		_____

**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 or professional dues	_____
Gifts and charitable contributions	_____
Travel	_____
Newspapers, magazines, books	_____
Auto upkeep, gas, and parking	_____
Spending money, allowances	_____

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?	_____	_____