

The Challenges and Sacrifices of Business Ownership

Starting up your own business is an exciting dream, if you're up for the challenge. The rewards can be substantial, both financially and in terms of satisfaction when you succeed. But entrepreneurs have to be prepared for high levels of risk, lots of hard work, many great sacrifices, and a lifestyle that can be all-consuming not just for business owners, but for their families as well.

It's easy to say that entrepreneurs should tap their passions when thinking about starting a new business. After all, there's an old saying that tells us to sell what we know. But realistically, some great ideas simply don't sell and some terrible ideas do, thanks to great timing and marketing. It's a sad fact that many entrepreneurs set themselves up to fail before they even begin their exciting business ventures. These new business owners stick to bad ideas or fail to properly assess the market for a good idea. Roughly half of all new companies fail to survive during the first two years of business, and only four out of every hundred survives a decade. These are very sobering numbers. But even more worrisome is the fact that one in six successful small-business owners – the very people you'd expect to have figured it out – say they would take a pass if they had the chance to do it again.

Despite those figures, CIBC World Markets expected 150,000 Canadians to start their own enterprises before the end of 2007, adding to the 2.5 million small businesses that were already out there. This is probably because becoming a business owner is greatly valued in our society. According to a 2005 poll by Leger Marketing, more than 40% of Canadians think entrepreneurship is the most rewarding career option. Many are willing to risk their life savings – and money from their families, friends, and maybe even a bank – to take direct control of their careers. In return, they can expect to work harder and earn less than they would as corporate peons. Very few will strike it rich.

But often, opening your own business is about lifestyle choices. Sometimes people take this risk in order to pursue a lifelong dream of working in a particular field. Sometimes the desire is driven by a passion for a product, or the love of a particular working environment. Either way, it's a tough slog. But it is one that can be a lot easier with a little preparation, determination, and courage.

The key is to have a solid business plan in place so that you have some guidance and can feel a little more comfortable with your choice, having an idea of the direction your company should take. Your business plan doesn't have to be 100 pages long and it doesn't have to be prepared by an MBA, but it should indicate what the market opportunity is and should lay out how you are going to entice customers, including

details about service and price. What's the compelling reason people will come to you rather than an established business? Your plan should also provide a reasonable sales forecast and an estimate of expenses. "The common rule of thumb is once you've done that, cut your sales in half and double your expenses," says Kevin Dane, vice-president and Toronto area manager with the Business Development Bank of Canada. "If it still makes sense, then maybe it's worth looking at."

Randall Craig, a Toronto management consultant and author of the 2004 book *Leaving the Mother Ship*, says committing your plan to paper reduces the likelihood that you've forgotten something. It also gives you something to show others (including your family members and business network) and helps you set financial goals that can then be tracked. "If things are going off-track, you will know about them earlier," says Craig. And chances are things will go off-track. As Dane advises, the key is to be realistic: "An entrepreneur by nature is a very optimistic person," he says, "But you have to know when to temper your enthusiasm and find a way to back up your gut feeling with some statistics."

Having relevant information at the ready will impress banks as well as franchisers. Both will also want to see up front capital. A financial institution isn't going to lend a business 100% of what it needs to start up and stay afloat. After all, banks aren't generally in the business of being shareholders. Many complain the banks aren't particularly interested in funding start-ups at all, which is perhaps one reason why 74% of Canadian respondents to a small-business survey conducted for Sage Software in 2005 reported that their enterprises were self-financed, compared to 67% North America-wide.

While entrepreneurship can be an incredibly rewarding lifestyle, it's incredibly important to consider all of the factors involved in starting your own business and to feel confident that you can succeed. Starting a business can be just as disheartening as it is exciting. Chances are you might have to fail before you succeed. But if you've got a great idea, a solid plan, and sufficient funds you might be on the track to becoming a business owner. Just be sure that you assess the risks involved.