

Points to Consider

When Starting Your Own Business

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Summary

Throughout the years, entrepreneurs have turned their ideas into goods and services. They have met the needs and wants of consumers and, at the same time, they have built rewarding careers for themselves.

Becoming Your Own Boss

Many people start a small business in order to enjoy the perceived rewards of freedom and independence. This is understandable because owning your own business can offer you the opportunity to experience freedom:

- the freedom to use your own ideas;
- the freedom to be the boss;
- the freedom not to be fired; and
- the freedom to earn as much as you want.

The reality of small business ownership can be quite different. Many small business owners will tell you that they work more hours than when they worked for someone else.

A large number of those hours are the result of demands of **others**.

Some of the more demanding **others** can be the regulations imposed by provincial and federal governments. Some of the other regulations that must be adhered to are: federal and provincial licensing; local safety and health regulations; environmental protection rules; employee deductions and labour standards.

Then there are the significant **others**, who impact the bottom line - the customer. You must satisfy your customers, for these are the people who will ultimately decide whether or not your business will succeed. You will be successful only if you can provide them with the goods and/or services that they want or need badly enough to pay for.

Then there are your financial **others** - the people who provided you with funds to get your business started. They might be relatives, friends, bankers, etc. No matter who they are, they will have a vested interest in how well you run your business.

Even your competitive **others** will become more significant as their policies and competition will affect the way you run your business, the hours you work, prices, profits and more.

As the most important **other**, you alone will take full credit when errors in business decisions are made. A poor decision that can result in losses not only to yourself, but to your employees, creditors and customers as well.

It is money, after all, that is the bottom line. Your success depends upon your ability as a boss to make sure your business is making more money than it spends.

Why Will "You" Succeed?

At this point, the idea of running a small business may not seem very attractive. Don't let the negatives get you down. Running your own business can provide you with a tremendous source of self-satisfaction and pride.

In order to succeed, most small business experts urge prospective business owners to carefully and completely analyze their potential venture.

Typically, you will begin by analyzing yourself as a future entrepreneur. What kind of person are you? What technical or special knowledge do you have?

Self-confidence and drive, innovative thinking, goal orientation, and business and technical knowledge are necessary to succeed. These traits must also be tempered with realism. Knowing the limits of your own abilities and not being afraid to ask for help is imperative.

Successful people as well as business owners know what they want to achieve in life. They determine where they are going by setting goals, paying attention to details and motivating others around them. It is wise to understand and follow the lead of those successful people around you.

What Kind of Business

The type of business that you enter should complement your experience, interest and/or technical knowledge. It is fine for you to dream about becoming your own boss some day, however, before you put too much work into your business, make sure that the area you choose is the right one for you.

When deciding what business to start, you may want to consider what hobbies and/or interests you have as well as your experience and background. If you are interested in an area in which you have little experience, you may want to seek some training before you begin. Arranging a job in the area of interest or acquiring a mentor are two ways that may help you gain the knowledge and experience that you need.

Two other factors that are equally as important as the above mentioned are:

1. Is there a need for the goods and/or services you are going to offer?
2. Will there be a market for your product in the future?

Fads, technology, and innovations all affect the opportunity for any business to be and remain successful.

The Odds of Success

Starting your own business is risky.

Of all firms started, just about a third fail within one year, and 80% fail within three to five years. However, after five years, the rate of discontinuation drops rapidly.

Lack of management experience accounts for nearly all of small business failures. This does not mean that all small business managers have poor management skills. More accurately, it refers to the person's ability to deal with the unexpected occurrences in business.

A recent example is the poor national and world economic situation. In tough times, some small businesses are surviving it, others are not.

Desire and persistence along with innovative thinking improve the odds. In tough times, smaller business may be able to change direction by introducing new ideas and creating better methods to help move its product and sustain an adequate income.

Start-up Money

After you have decided that you want to be in business, you face the problem of money. How much money will it take to start your new business? How much operating capital will you need?

There are forms available that will help you put together a very good estimate of your business start-up and on-going capital requirements.

It is recommended that you become well acquainted with your local bank, as it will probably be the main outside source of capital.

All the above information should be helpful to you as you think about establishing your new business. Remember, it never hurts to gain more knowledge in your business area. Few businesses have gone broke because the owner knew too much about his/her business.