

Self-Employment: Is it for me?



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This book is written for the person considering self-employment. It will increase your learning and work exploration by helping you:

- understand how the changing workplace creates self-employment opportunities
- determine the advantages and disadvantages of self-employment according to your preferences
- learn about the kinds of self-employment options available
- assess the impact of self-employment in your life
- connect you with further information and resources.

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Information in this publication was accurate, to the best of our knowledge, at the time of printing. However, legislation, labour market information, websites and programs are subject to change, and we encourage you to confirm with additional sources of information when making career, education, employment and business decisions.

Self-Employment: Is it for me?

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I. So You Want to Be Your Own Boss?

You're not alone. More and more people are considering self-employment as a work option. Many of them left steady jobs to strike out on their own. What's more, the majority are finding they are happier working for themselves.

One major reason for this trend toward self-employment is the changing workplace. As governments and corporations restructure, guaranteed, full-time employment is becoming a thing of the past. There's still plenty of work that needs doing, but it's being packaged in different ways. Governments are privatizing and contracting out a wide array of services. Contracting out, or outsourcing, is also becoming a favoured way for companies in the private sector to do business.

If you can see opportunity in this situation, you're already ahead of the game. What's more, you probably have some entrepreneurial blood in your veins. Many people are starting businesses in order to bid on the increasing amount of work that is contracted out. In some cases they are bidding on the very work they used to perform as employees.

Of course, there are reasons other than economic ones to go into business for yourself. Maybe you've taken an early retirement and can't imagine a life of total leisure. More than one successful business has been started by retirees with get-up-and-go to spare. You may also be looking for a business to supplement your pension benefits.

Perhaps you're at the front end of your working life and considering your options. Faced with an ever-changing job market, you might well consider creating your own job. If so, you are likely to find plenty of encouragement. Governments at all levels are recognizing the importance of entrepreneurship in job creation.

Last, and most obvious of all, you might be one of those people who knew from your first lemonade stand you were going to be your own boss. As one successful young entrepreneur put it: "I like to run the show."

What does it mean to be an entrepreneur? As it is commonly used, the word entrepreneur refers to someone who organizes, manages and assumes the risk to start a business or enterprise that ultimately creates jobs for others. This type of entrepreneur usually invests a high level of time, energy and financial resources to succeed in business. At the other end of the scale are people who choose self-employment in order to get off the corporate treadmill and are content to make just enough money from self-employed earnings to support themselves. Throughout most of this book, we use the word entrepreneur to refer to anyone who is self-employed no matter where they fall on this scale.

This book does not address the form of self-employment known as **contracting**. It focuses on entrepreneurship and starting a business. Details on independent contracting are available in the publication *Employee or Contractor? Know the Difference* (online at alis.alberta.ca/publications).

Just the stats

Many Canadians are choosing to be self-employed. Just look at the stats:

- In Alberta, self-employed people represented 16.9 per cent of all employed people in 2014. Nationwide, self-employed people made up 15.3 per cent of the employment total during the same year.
- There were 383,900 self-employed people in Alberta in 2014.

Source: Statistics Canada Labour Force Survey Review, 2014

Self-employment: *Aaah, this is the life or Argh, is this living?*

Like any other career or lifestyle choice, self-employment has its bonuses and challenges. Here are some important factors to consider when deciding whether to go out on your own. Not all of them apply to all types of businesses. Not all of them are equally important to all potential entrepreneurs. Decide for yourself how important each one is to you.

Bonuses

- **Satisfaction of creating your own job.** Many self-employed people enjoy the sense of independence and accomplishment that comes from using their skills and experience to create their own work rather than depend on an employer for a job.
- **Opportunity to follow your heart's desire.** Self-employment offers the chance to work at something that not only provides an income but also appeals to your passion. As your own boss you have the freedom to determine where to invest your time and energy.
- **Variety.** No day is predictable. There are always new customers, clients and suppliers to meet new problems to solve, and new projects to tackle.
- **Feeling of control.** Being self-employed gives you control over your schedule, your working conditions and how you do your work.
- **Opportunity to use your creativity.** Many entrepreneurs say they felt confined and their creativity thwarted in a corporate or government environment. Being your own boss lets you test your bright ideas and fulfil your passion for creativity.
- **More tax deductions.** Self-employed people are entitled to tax deductions on a wide range of things such as transportation expenses, home office, travel, professional development and other items related to their business.
- **Flexible work hours.** If you want to spend time in your garden in summer or catch a child's performance at school, you may be able to juggle your schedule to do so. And if you make up for it on evenings and weekends, it will be by your own choice.

- **No dress code.** Every day can be casual Friday when you're calling the shots. You can enjoy dressing for comfort on days without meetings with customers or clients.
- **Opportunity for a healthier lifestyle.** Working at a home-based business can pay health dividends. You may be able to adjust your work schedule to accommodate personal needs, such as scheduling an exercise program.

Challenges

- **Long hours.** Anyone who goes into business thinking it will be easy street compared to being an employee will not last long. Self-employed people often talk of 12- to 16-hour days as the norm. Clients and customers can be demanding, and customer service can make the difference between success and failure.
- **Loss of structure.** Being your own boss can be unsettling if you're used to having an employer impose a certain structure on your work day. There's no "time clock" to punch, no set coffee breaks. It's up to you to create your own structure based on what's needed to market yourself and your product or service and to get the work done.
- **Isolation.** As a self-employed person, you could miss the support of co-workers or the opportunity to socialize on breaks, especially if you work from home.
- **Paperwork.** When you run your own business, you're not only the president and marketing manager, but also the comptroller and bookkeeper. Of course, you can hire an accountant to help you set up your books and do your taxes. But you will still have to spend many hours doing the paperwork and record-keeping required.
- **Unpredictable income.** Until you get a new business off the ground and running smoothly, budgeting is vital. Even if you've done your homework and prepared a thoroughly researched business plan, your income won't be as predictable as a regular paycheque. Some new business owners take part-time or even full-time jobs during the first year or two to keep a steady income until the business takes off.

- **Constant pressure to keep sales up or work coming in.** Every day is a marketing day or a work search day for the self-employed. If you have employees, the pressure is even greater to bring in enough work to keep them busy and pay their salaries.
- **Potential for loss.** Starting any kind of business requires some financial investment. Even equipping a modest home office to perform a professional service such as accounting requires a minimum investment in such essentials as furniture, a computer, software, a business telephone line, a copier and a fax machine. The capital required to start a restaurant or manufacturing operation can be substantial. Should your business fail, this investment may never be recovered.

What motivates entrepreneurs?

Most people who start businesses have worked as employees for other organizations first. Why would they give up their jobs to be self-employed? The following are some of the main reasons people give for starting their own enterprises:

- They feel they can do the job better than their boss.
 - They seek the challenge of starting and nurturing a business from scratch.
 - They seek variety and adventure.
 - They want to make better use of their skills and knowledge.
 - They want the freedom to work in their own way.
 - They would get more of a sense of accomplishment from running a business.
 - They prefer to reap all the profits from their work.
- They want to have more control over their career and their personal time.
 - They want to recapture the feeling of working at something close to their heart.

Notice that money is not prominent on this list. For most successful business people, the prime motivation is personal fulfilment. Of course, money is important to them, but only as a means to do more with their businesses and their lives, not simply to acquire wealth and prestige.

In fact, anyone who goes into business for the money alone may be in for a rude awakening. Are you prepared to work longer hours and receive less pay than you did as an employee? That's the kind of dedication it takes to get a new business up and running. But the rewards in terms of work satisfaction can be great.

What motivates you?

It's important that you examine your motives before you commit your time, energy and resources to a new business venture.

Ask yourself:

1. What is my goal in starting a business (e.g. profit, freedom, opportunity to exercise my creativity)?
2. What are my life goals? Visualize your ideal life 10 years from now and describe it, in as much detail as you can, with respect to:

Work

Family

Relationships

Leisure

Financial Stability

Home

Other

3. Does running a business fit in with my life goals? You may not yet have enough information to answer this question. You may want to return to it after completing the self-assessment exercises in Chapter II.

Why did they do it?

What motivates people to start their own business? Here are the reasons given by some Alberta entrepreneurs for striking out on their own:

"Being an independent, creative person, I think I always knew that I would not be happy unless I owned my own business."

"When you work for someone else, you get used to your life revolving around that paycheque. When you work for yourself, you can make your own life."

"I could see the firms I was working for doing better off my work than I was, so I decided to start my own business and keep the profits for myself."

"When my job disappeared I decided to look at other work options."

II. Do You Have the Right Stuff?

Are entrepreneurs made or born? Well, a little of both. Running your own business requires a host of skills, attitudes and values, some of which you arrive at through your own mix of personality and intelligence and some of which you can acquire through training or education.

Is there such a thing as an entrepreneurial personality? While most agree that entrepreneurial behaviours can be learned, researchers who study successful entrepreneurs have singled out a number of characteristics that seem to define such people.

Characteristics of successful entrepreneurs

Innovative. Entrepreneurs see solutions where other people see only problems. They have a special knack for spotting trends and seeing the opportunities in them. They can also conceive of products and services or ways of delivering them that don't yet exist.

Educated. Entrepreneurs are open to learning from a variety of sources to improve their chances of business success. More entrepreneurs than ever before have a post-secondary education.

Competitive. Because many entrepreneurs are driven to achieve, they may see business as a game of winning or losing. For them, money is not the primary goal but only a means of measuring success.

Willing to take calculated risks. Contrary to the popular stereotype, entrepreneurs are not gamblers.

However, they are willing to take moderate risks in situations where they have done their homework, have sufficient information and have some control over the outcome.

Proactive. Most entrepreneurs are self-starters. They choose their projects based on their own interests and are not dependent upon what others think of them. They know what they want to accomplish and do what is necessary to achieve it.

Self-confident. Successful entrepreneurs believe in themselves and in their ability to achieve their goals. They are optimistic and enthusiastic about ventures they undertake and are able to motivate others with their enthusiasm.

Willing to work long hours. Entrepreneurs don't punch a mental time clock when it comes to work. They devote long, uncounted hours to their business.

Healthy. Entrepreneurs may not be physically healthier than everyone else, but they do take less sick time off work. An entrepreneur simply refuses to accept being sick and will work through minor ailments like headaches or colds.

How can you identify an entrepreneur?

Below is a list of characteristics that are often found in successful entrepreneurs. Of course, not all of them are found in any one person. How many apply to you?

a) Put a check mark beside each trait that describes you most of the time.

Are you:

- | | | | | | |
|------------------------------------|--|--------------------------------------|--------------------------------------|---|---|
| <input type="checkbox"/> Ambitious | <input type="checkbox"/> Energetic | <input type="checkbox"/> Honest | <input type="checkbox"/> Open-minded | <input type="checkbox"/> Persistent | <input type="checkbox"/> Self-motivated |
| <input type="checkbox"/> Assertive | <input type="checkbox"/> Flexible | <input type="checkbox"/> Independent | <input type="checkbox"/> Optimistic | <input type="checkbox"/> Persuasive | <input type="checkbox"/> Visionary |
| <input type="checkbox"/> Creative | <input type="checkbox"/> Goal-oriented | <input type="checkbox"/> Innovative | <input type="checkbox"/> Organized | <input type="checkbox"/> Resourceful | |
| <input type="checkbox"/> Decisive | <input type="checkbox"/> Hard-working | <input type="checkbox"/> Intelligent | <input type="checkbox"/> Patient | <input type="checkbox"/> Responsible | |
| <input type="checkbox"/> Diligent | <input type="checkbox"/> Healthy | <input type="checkbox"/> Objective | <input type="checkbox"/> Perceptive | <input type="checkbox"/> Self-confident | |

Do you:

- Enjoy solving problems Seek challenges Seek information Value achievement

Can you:

- Communicate well Make a commitment Sell products or ideas
 Get along with most people Motivate others Take moderate risks
 Learn from others Plan ahead Think positively
 Maintain a long-term perspective Recognize opportunity and seize it

- b) Select five of the traits you checked under a) and, on a separate sheet of paper, list a specific situation, not necessarily work-related, in which you demonstrated each trait.
- c) To give yourself a picture of how the traits listed under a) contribute to business success, think of a successful entrepreneur whom you know well and describe how that person demonstrates five of these attitudes, values and/or behaviours.

What's your E.Q. (entrepreneurial quotient)?

Studies show that successful entrepreneurs share several common traits, experiences, motivations, values and beliefs. How about you? While this quiz can't predict how well you might do in your own business, it will give you some idea how you compare with people who have been successful.

- The entrepreneurial spirit often shows up at an early age. Did you start a business such as a lemonade stand or run for office at school during your childhood?
 Yes No
- Entrepreneurs have a strong determination to do things their own way, a trait that can be traced back to stubbornness as a child. Were you a stubborn child?
 Yes No
- Some studies of entrepreneurs show that as children they spent a lot of time alone by choice. Did you prefer to be alone when you were a child?
 Yes No
- An unwillingness to take any risks could be a drawback for people planning to start their own business. Were you cautious as a child?
 Yes No
- Successful entrepreneurs in general were not top academic achievers in school. Were you at or near the top of your class as a student?
 Yes No
- Entrepreneurs tended not to enjoy participating in group activities such as team sports and clubs in school. Did you join a team or club?
 Yes No
- Many entrepreneurs say they put their long-term and short-term goals in writing. Do you set goals and put them in writing?
 Yes No
- Entrepreneurs are not nine-to-five workers. Are you willing to work around the clock, with little or no sleep, or as long as it takes to get a job done?
 Yes No
- Entrepreneurs generally enjoy their work so much they always have projects underway or new ones in the works. When you complete a project, do you immediately jump into another?
 Yes No
- Successful entrepreneurs are willing to commit their savings to finance a business. Would you use your savings to start a business?
 Yes No
- Many entrepreneurs take out bank loans or borrow money from others to finance their business. Would you borrow money to start your business?
 Yes No
- Many successful entrepreneurs have failed at least once but bounced back to start another business. If your business should fail, would you give up and immediately start looking for a job with a regular paycheque?
 Yes No



13. Entrepreneurs usually have enough faith in themselves to follow their own path and don't worry about what others think. Do other people's opinions matter a lot to you?

- Yes No

14. Entrepreneurial personalities seem to be easily bored. Are you easily bored?

- Yes No

15. Optimism can be a great motivator, driving an entrepreneur to pursue new goals. Are you generally an optimist?

- Yes No

Answers

Remember, there are no "right" answers to the above questions. The following are the answers that best illustrate the background and traits generally found in successful entrepreneurs:

Yes: Questions 1, 2, 3, 7, 8, 9, 10, 11, 14, 15

No: Questions 4, 5, 6, 12, 13

How did you do?

If your behaviour, attitudes and beliefs match those of a typical entrepreneur in at least half of the items above, then you probably have a head start toward success in being your own boss.

Find your self-employment strengths

As you can see, to succeed as your own boss you will require a wide range of experience, skills, attitudes, values and behaviours. Do you have enough of them to make a go of it? The following multiple choice quiz will help you determine where your strengths are in a number of areas that are critical to entrepreneurial success. For each item, put a check next to the sentence that best describes you.

1. Business skills and experience

While it's helpful to take business-related courses, there's no substitute for real-life experience. You're ahead of the game if you have friends or relatives who are business people or if you have first-hand experience in a small business yourself. It's also valuable to have a network of skilled advisors and others with business experience who can help you with problems as they arise.

- a) I have no first-hand experience with a small business and nobody close to me has ever run a business.
- b) I have learned what it's like to run a business from observing a parent, relative or close friend who is, or was, self-employed.
- c) I have previously been involved in a small business as an employee with considerable responsibility.

2. Health and energy

Operating your own business is a big responsibility. Hard work, long hours, unexpected

crises, customer/client demands and the stress of financial uncertainty require tremendous stamina. Do you have the physical and psychological reserves needed to handle the ups and downs of self-employment?

- a) I have about as much energy as the next person.
- b) I have a lot of energy and drive and rarely get sick enough to take time off work.
- c) I seem to run out of energy sooner than other people do.

3. People skills

Even when you're your own boss, you will need to get along with all sorts of people—from lenders, partners and suppliers to employees, customers and clients. Would you be comfortable dealing with a cranky customer or a chronically absent employee? Are you willing to go to great lengths for a demanding client? Client service can be the crucial element that sets your business apart from your competitors. How are your people skills?

- a) I can get along with just about anyone.
- b) I tend to avoid "problem" people rather than deal with them.
- c) A lot of people get on my nerves and when they do I tend to lose my temper.

4. Openness to new ideas

Successful people keep an open mind. They seek information, advice and feedback wherever

possible. When they don't know something, they're not afraid to admit it. They're always learning and welcome new information even if it conflicts with their beliefs.

- a) I don't like it when people try to give me advice.
- b) When I don't know something, I'm not afraid to ask questions and seek advice.
- c) I'll consider good advice if it's offered.

5. Self-confidence and optimism

Entrepreneurs believe in themselves and their ability to succeed at any project they undertake. They don't believe luck has anything to do with it. They are also optimistic. They can visualize success. These qualities are essential in order to overcome obstacles and avoid feeling defeated when things don't go according to plan.

- a) Going into business is worth a try. I've been pretty lucky so far.
- b) I believe in myself and am confident that I can succeed at anything I set my mind to.
- c) Bad luck is my middle name.

6. Independence

Entrepreneurs are independent thinkers, leaders rather than followers. They care little about what others think of them. They are able to sell themselves and motivate others, qualities that are very important in attracting lenders and investors, marketing products and services, and inspiring employees.

- a) I often worry about what others think of me.
- b) Sometimes I wonder what others think of me, but I don't worry too much about it.
- c) What others think of me never crosses my mind.

7. Perseverance

Successful entrepreneurs don't quit. They set short- and long-term goals and do what is needed to reach them. As the saying goes: When the going gets tough, the tough get going. Do you have the determination and perseverance to succeed?

- a) I don't give up. I work on problems until they are solved.

- b) I am easily deterred when I run into obstacles.
- c) I usually finish what I start, especially if things go well.

8. Creativity and innovation

You've heard of the better mousetrap? Many a business has been launched by someone who found a better way to do something. Successful entrepreneurs are creative thinkers who are always coming up with new ideas and ways of doing things more efficiently. Where other people see problems, successful entrepreneurs are three steps ahead, devising solutions. As a business owner you will often be called upon to solve problems for your customers or clients. Are you an innovative thinker?

- a) I've had some good ideas in my time.
- b) When faced with a new problem or situation, I get frustrated and my mind usually goes blank.
- c) I enjoy tackling problems and can usually find more than one solution.

9. Initiative

Entrepreneurs are self-starters. When they see something that needs doing they don't wait for someone else to make the first move. And when they have a good idea, they act on it.

- a) I like to make things happen.
- b) I'll throw myself into a good project if someone else suggests it.
- c) I usually don't take on new responsibilities unless I have to.

10. Decision-making style

- a) When making a major decision, I agonize over the alternatives and put it off as long as possible.
- b) When I have to make a decision, I examine the alternatives and select the best one, but I wonder afterwards if I made the right choice.
- c) I am comfortable making decisions once I have the necessary information and I carry them through with confidence in my own judgment.

11. Lifestyle and personal resources

Owning and operating a business is not only a work choice but also a lifestyle choice. Your business will make both personal and financial demands on you and your family. Before taking the plunge into self-employment, you will need to discuss fully with your family what it will mean in terms of family life and income. Do you have their support? Can your personal life withstand the stresses of self-employment?

- a) My family understands that I will be working long hours to launch my new business, that I won't be bringing home a regular paycheque and that we may have to adjust our spending habits accordingly, but they're not sure they'll like these changes in our lifestyle.
- b) I haven't discussed with my family what effect my business will have on them.
- c) I have discussed with my family all the possible effects my business will have on our lifestyle and they support my plan.

12. Risk tolerance

Contrary to the popular stereotype, successful entrepreneurs are not gamblers. They set realistic business goals, gather as much information as possible and take moderate, controlled risks to achieve their goals.

- a) I will take moderate, calculated risks in order to help my business succeed.
- b) I'll take small risks where others hesitate.
- c) Even the smallest risk makes me nervous.

Answers

In this exercise there are no "right" answers, but there are three types of answers, each indicating a different degree of entrepreneurial readiness. Circle the answer you gave for each question on the answer chart that follows. If most of your answers fall in the "Ready" category, you are probably good entrepreneurial material. If most of your answers fall into the "Needs Work" category, you could try to improve in the areas where you fall short or find a partner with complementary assets. If you had more than five answers in the "Think Again" column, you should seriously consider whether you really want to go into business for yourself.

	Ready	Needs Work	Think Again
1.	c	b	a
2.	b	a	c
3.	a	b	c
4.	b	c	a
5.	b	a	c
6.	c	b	a
7.	a	c	b
8.	c	a	b
9.	a	b	c
10.	c	b	a
11.	c	a	b
12.	a	b	c

How did you do?

Take a minute now, on a separate sheet of paper, to list your entrepreneurial strengths and areas where you need improvement based on the self-assessment exercises in this section.

1. My entrepreneurial strengths are:
2. I need to work on my skills, attitudes and behaviours in these areas:

Now what are you going to do about it?

Congratulations on your entrepreneurial strengths. You probably discovered you have more than you thought you did. Now what are you going to do about the areas where you could use some improvement? If these have more to do with skills than with attitudes and beliefs, they will be easier to master. For example, you can take a course in marketing, but it will be more difficult to change a deep-seated tendency to panic in crisis situations. Many entrepreneurs take on partners or hire staff who have the skills they lack. What will you do?

For each of the areas where you need to improve, list what you can do to compensate.

Note: The exercises in this chapter are intended to serve only as indicators of your entrepreneurial skills and attitudes. No test can tell whether you will succeed in business for yourself. However, the more of these traits you possess, the better your chances are of succeeding in your own business.

III. The Idea Factory

If you've come this far and still feel you're destined to become your own boss, the next step is to explore your self-employment options and decide what kind of business you want to go into.

Self-Employment: What are your options?

As the economy and the workplace change, the percentage of people who make their living from some form of self-employment is expected to increase significantly. There are many ways to be self-employed. Here are some of the alternatives:

- 1. Entrepreneurship.** The traditional entrepreneur runs a business that sells a product or service and employs others. The business could be a franchise or it could be one started from scratch. This is the most risky form of self-employment because it usually requires a significant investment of money to get started. Also, there will be constant pressure to generate enough business to pay staff and overhead expenses. On the plus side, this form of entrepreneurship offers the most opportunity for growth and profit. The more employees you hire, the more goods or services you can sell and the more profit you can make. Examples: florist shop, interior decorating/home accessories business, computer sales and service, fast-food outlet.
- 2. A one-person enterprise.** In this type of business a person offers a product or service without employing others. Often it is run as a home-based business to keep overhead low. An alternative to the home is to rent office space in an incubator-style setting that offers the opportunity to share equipment and secretarial services or to pay for them as needed.

Many businesses start as one-person, home-based enterprises and grow from there. Some notable examples: Mattel Inc., Apple Computers Inc. and the Walt Disney Company. But not everybody wants to be a corporate mogul. If you like the idea of being independent but don't want the responsibility of being an employer, this may be the type of self-employment for you. Examples: computer repair and servicing, bookkeeping, home care, pottery or other crafts, specialty foods.
- 3. Consulting.** A consultant works on a variety of projects simultaneously, often for a number of different clients, and on separate premises from the client companies. For example, a graphic designer might be designing a brochure for one client, an annual report for another and a web page for a third. This type of self-employment allows for great variety of work and clients. It also requires the organizational ability to juggle a number of projects with varying deadlines and to find time every day to market your service and expertise. Other examples: home renovators, landscape consultants, management consultants.
- 4. Contracting.** Contracting involves taking on work within an organization for a set period of time. While contract work may be full time for its duration, the contractor receives a set fee with no employee benefits. This option offers the opportunity to do a variety of work in a variety of settings in succession. But contractors can feel pressure to minimize the gaps between contracts. Also, if you work on the premises of a company and function essentially as a member of the staff, the Canada Revenue Agency may treat contract work as employment rather than self-employment for tax purposes.
- 5. Brokering.** Brokers, or agents, earn their income by marketing other people's talents or products and taking a fee. The best known examples are literary, sports and talent agents, but a broker can be anyone who performs a useful service by linking people with expertise or products to people who need them.
- 6. Talent pooling.** A talent pool is a group of self-employed people with different talents and related interests. Together they may possess all the skills required to win a particular contract that none of them could handle on their own. They may form a consortium and offer their services as a "virtual company," that is, a company that forms to carry out a project and disbands when

the project is completed. This situation offers the independence of self-employment combined with the ability to compete and work on projects that no single small business person could handle alone. It also provides the support and stability of working as part of a team.

Three ways to get into business

If you have an innovative product or service to market, or if you plan to offer your services as a consultant, you will need to build your business “from scratch.” Two other routes to entrepreneurship are to purchase an existing business or to become a franchisee. Before deciding which option is best for you, look at the pros and cons of each.

1. Buying a franchise

A franchise is a business operating system that is leased by an entrepreneur (franchisee) from the company that owns the system (franchisor). The franchisor usually builds or renovates the place of business, trains the franchisee, provides some advertising support and monitors the franchise operation to make sure the system’s standards are being maintained.

Franchising is a booming trend in Canada. The word “franchise” might make you think of fast food chains—Tim Hortons is a prominent example—but an increasing number of service businesses, from travel agencies and home cleaning enterprises to quick copy outlets and Internet cafés, are selling franchises. There’s also a trend toward franchising knowledge-based businesses such as tutoring, accounting services and financial planning.

The big advantage of buying a franchise is that it’s a ready-made business with a ready-made corporate identity and a proven concept. The product or service, manuals and training are all developed and ready to go. For some entrepreneurs, this can be seen as a disadvantage because it leaves little up to the discretion of the franchisee.

While buying a franchise is like buying a business-in-a-box, you still need to do your homework. For example, you will want to do your own market research. Is there a demand for this kind of product or service in your area? How many businesses of the same type are there in your market area? How close is the nearest franchise of the same system? Be sure to talk with other franchise owners in the same system. They are your best source of information.

Buying a franchise entails less risk than starting a new business from scratch. What are the problems that cause franchise failures? According to the Canadian Franchise Association (CFA), the reasons vary. “It is usually because the franchisee is underfunded or poorly matched for the business, there is insufficient support from the franchisor, or in some cases the concept itself is not marketable.” For example, an idea that works in one location might not in another.

When a franchise succeeds, the CFA says, it is often because of the franchisee’s creativity, sales and marketing expertise and commitment to the business.

Do your franchising homework

Here are a few things to keep in mind when buying a franchise:

1. The single most important thing you can do before buying a franchise is to talk with several other franchise owners within the franchise system you are considering. Ask them what their experience has been with the franchisor. What do they feel are the benefits and disadvantages of their relationship with this particular franchisor?
2. Before signing a franchise agreement, make sure it clearly spells out the rights and obligations of both the franchisor and franchisee (you). What kind of guidance and training will the franchisor provide? Will you be obliged to buy certain supplies from the franchisor? Will you have to make compulsory contributions to an advertising or marketing fund for the whole franchise system? If so, what kind of advertising is the franchisor doing in your market area?
3. Be sure to seek legal, financial and business advice before signing any franchise agreement. There are lawyers and accountants who have special expertise with franchise operations. Most large banks have franchise divisions.
4. Research the franchisor’s track record. Franchisors who sell franchises in Alberta are legally required to disclose key information to the prospective franchisee before they sign a franchise agreement. Members of the Canadian Franchise Association are required to provide disclosure documents to a prospective franchisee in every province.

For a consumer tip on legislation that deals with franchise sales in Alberta, call the Consumer Contact Centre at 1-877-427-9088.

2. Buying an existing business

Another way new entrepreneurs may reduce their risk is to purchase an existing business. This route allows you more autonomy than with a franchise system, and you can skip over the hard work and expense of start-up. However, it's not completely risk-free. You may find an established company for sale at an attractive price, but be sure to examine the owner's motives for selling. Are you satisfied with the reason, or could there be something unfavourable about the business that's not evident on the surface?

Some advantages of buying an existing business include the following:

- **Good location.** An existing successful business probably has a choice location. If you start a business from scratch, you will have fewer unoccupied spots to choose from.
- **Ready-made facility.** Building and equipping a facility can be costly and time-consuming. When you buy an existing business, you can move right in.
- **Ready-made clientele.** A successful established business is likely to come with a loyal customer base and a mailing list for future marketing and promotion.
- **Personnel in place.** The business will come already staffed, so you don't have to recruit and train people for start-up.
- **Inventory in stock.** The previous owner would have inventory on hand and an ordering system in place.
- **Operating systems in place.** There will already be accounting, financial and record-keeping systems developed to ensure a smooth-running operation.
- **Established market share.** Competitors will fight hard to quash a new business before it can get on its feet. An existing business will already have carved out a share of the market.

On the flip side, some of the same advantages could be disadvantages. For example, you could be saddled with outdated inventory, a bad location or inefficient personnel. For some entrepreneurs, the advantages of a ready-made business might be offset by the lack of excitement and challenge involved in creating a business from scratch.

How do you find a business to buy? Some potential sources of information on businesses for sale include

accountants, bankers, management consultants, newspapers, trade journals and local chambers of commerce. You might also consider going through a business broker, but be mindful that the broker operates, like a real estate agent, on commission based on the selling price of the business. Once you've located a business that interests you, you may also consider hiring a business appraiser to help you determine if the asking price is right.

3. Starting from scratch

The most challenging—and potentially the most risky—way to be self-employed is to start a business from scratch. If you are planning to offer your services as a consultant working from your home or from a shared office, your start-up costs—and therefore your risk—will be minimal but not insignificant. If you want to start a business that requires a substantial investment in a facility and equipment, your risks increase. But you can greatly improve your chances of success with careful planning and by doing your homework.

The first step is to make yourself fully aware of what you're getting into, including the rewards and challenges of building your own business from scratch.

The perceived **rewards** will vary from one entrepreneur to another, but they include the following:

- **Gratification.** The satisfaction of creating a successful business is obviously rewarding.
- **Sense of adventure.** Many entrepreneurs—some would say true entrepreneurs—thrive on meeting and overcoming the challenges of start-up.
- **The chance to make your own mistakes.** When you build a business from the ground up, you don't have to deal with mistakes made by those who came before you.

The **challenges**, of course, have to do with the trials and frustrations of start-up:

- **Risk of failure.** During the start-up process there are so many decisions to make—thus so many mistakes to make—that the risk of failure is high.
- **Competition.** It can be very difficult for a start-up business to capture market share from existing similar businesses.
- **Burnout.** Starting a new business is just plain hard work and frustrating as well. It requires an

incredible amount of time, energy and stamina to deal with bankers, acquire the necessary licences and permits, hire and train employees and establish market awareness. And those are only a few of the tasks of a start-up entrepreneur.

Whichever route you take—franchising, buying an existing business or starting from scratch—be sure it's a business that appeals to you, with a potential clientele you can relate to. For example, if you don't like being around animals, your chances of success with a pet shop are slim, no matter how attractive the business looks from a marketing perspective.

Where did they ever get that idea?

No doubt you've asked yourself that question when struck by the sheer genius of a new enterprise—whether it's selling Pet Rocks or a new software product that allows persons with disabilities to use computers.

What makes that light bulb go on over an entrepreneur's head? Where do they get those ideas?

Meeting a need

The old cliché about necessity being the mother of invention has a lot to do with it. Many successful entrepreneurs can trace their start back to a problem that needed solving in their own or other people's lives. You know those situations where you're moved to ask "Why don't they make X?" or "Why doesn't someone do Y?" where X and Y are non-existent products or services that would come in handy or improve your life. The difference between entrepreneurs and most other people is that entrepreneurs don't just ask the questions. They go out and make it or do it themselves.

Why don't they . . . ?

Here's an exercise to test your idea-generating abilities. Carry a notebook around with you for a week and jot down your own needs and problems as they arise. Then on a separate sheet of paper list only those for which satisfactory solutions don't already exist. For each problem or need, try to think of products or services that could be the start of a new business.

Following your passion

Many a business has grown out of a beloved hobby or other passion. Indeed, many would say that passion is a prerequisite for success in business or any other line of work. For example, Patrick and Adrienne Duffy, authors of *Pathway to Freedom*, say: "If you're going to put 100,000 hours into your career, it should be something you care passionately about. People have to remember they have a choice and when they are true to themselves in those choices, good things happen." Passion also can be the fuel that energizes you when you need to put in long hours to complete a project or attend to other aspects of your business.

A word of caution: just because you like doing or making something doesn't mean you'd enjoy the business of doing it or making it for others. A common case in point is the restaurant business. Many people who love good food and preparing good food for friends dream of owning their own restaurant. But being a good cook has nothing to do with running a successful restaurant. You can hire a cook, but can you manage staff, control food and labour costs, and order supplies on a large scale?

Spotting social and demographic trends

Some entrepreneurs have a knack for keen observation and sensing an opportunity when it presents itself. They follow demographics—the statistical study of specific features of the population as a whole, such as age—and observe social trends. Then they make logical predictions as to what kinds of products and services will be in demand in the future. Some can sense a developing trend before it hits locally and are able to catch the wave.

Economist and bestselling author David Foot made some far-reaching economic predictions by putting together two facts: 1) the baby boom generation is growing older, and 2) people tend to do and buy different things at different times in their lives. For example, research on drugs and therapies designed to reduce the effects of aging will be a growth industry as baby boomers age, according to Foot.

Time constraints on baby boomers and dual-income families will spur a huge increase in demand for personal services such as shopping and housecleaning. Also, an increasing number of Canadian employees are in the sandwich generation, caring for both children and an older relative. In all of

these cases, people are looking for ways to solve the problem of too much to do in too little time.

Smart entrepreneurs are looking at such demographic and social trends and dreaming up products and

services to capitalize on them. As an example, recent technology trends include the use of mobile devices and apps, cloud computing and storage, and 3D printing.

Spot the business opportunity

The following trends have been identified by various futurists. What business opportunities do the trends suggest to you? List three opportunities after each trend.

1. More diverse family and household types.

The definition of family has broadened beyond the traditional nuclear family to include a wide variety of family structures and smaller family units. This could have an impact on the type of housing, furniture and automobiles required in the future as well as the packaging of food products. What potential business opportunities could these be?

2. The dominance of the dual-income family.

More families are trying to balance the demands of two careers with growing children, household maintenance and leisure activities. Their hurried lifestyle puts a premium on time, creating opportunities for many types of personal services. What products or services could this include?

3. An aging population.

The average age of the Canadian population is increasing, largely due to the movement of the baby boom generation through its life cycle. As they age, boomers will have more leisure time and more discretionary income, free of the demands of tuition, loans and mortgages. What kinds of goods and services could you offer them?

4. An increasingly health-conscious population.

People are becoming more knowledgeable about health issues and therefore more attentive to diet and exercise in their lives. How might you capitalize on this trend?

5. Lifelong learning.

The speed of technological change and a rapidly increasing knowledge base mean lifelong learning will be the norm. As the workplace changes, people will seek opportunities to retrain and acquire new skills. What kinds of entrepreneurial opportunities can you identify in this trend?

Building a better mousetrap

Many entrepreneurs get their start simply by improving on an existing product or service. A variation of this is leaving a job to start your own business because you know you can do it better than your boss. If you go the latter route, be careful not to burn bridges. With some diplomacy you can position yourself as a supplier rather than a competitor of your former employer.

Finding new uses for old things

Concern for the environment is continuing. That means there will likely be even more emphasis on the three R's of environmental protection: reduce, reuse and recycle. Many businesses are springing up to make new products out of recycled materials such as plastics and tires. Some companies are making money by harvesting logs that have remained at the bottom of rivers and lakes for years.

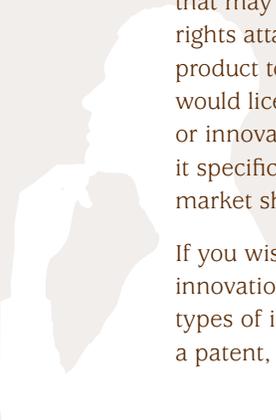
Combining two successful ideas

The first person to put a cappuccino bar in his or her laundromat or bookstore knew that two good ideas are better than one. They also won over clientele from the competition.

Replacing imports

Look around you and note where the products used in your community were made. Talk to local businesses and industries and find out what kinds of problems they have locating suppliers. Many who import goods and equipment would be delighted to be able to source them locally if the price was competitive.

Information for inventors



An invention can be a new idea, product or process that may or may not have intellectual property rights attached to it. You don't need to license your product to market, manufacture or distribute it. You would license (give exclusive rights) of your product or innovation to perhaps another company, giving it specifically identified rights, which may include market share, manufacturing or distribution.

If you wish to protect your new product or innovation, you need to attain the appropriate types of intellectual property protections, such as a patent, trademark, copyright or industrial design.

A number of books are available on the invention development process. You can talk to a patent lawyer or a patent agent for information on licensing and royalty agreements, as these can be complex agreements.

For more information on the appropriate types of intellectual property protections, such as patents, copyrights and trademarks, contact the Canadian Intellectual Property Office (see the Resources section for contact details).

IV. Getting Started

So you've determined you're cut out to be your own boss, assessed your skills and skill deficits, and decided what kind of business you want to go into. What now?

This section is designed to make you aware of the major steps you'll need to take to get your enterprise safely off the ground. It is not by any means intended to be your only source of business start-up information. There's a wealth of excellent reference materials, government and industry agencies and programs, and other services available that provide in-depth, step-by-step information on how to start and operate a business. Many are listed in the Resources section of this book.

Doing a market analysis

Once you've decided what kind of business you'd like to operate, the next step is to decide if there's a real need or customers for your product or service. Doing a proper market analysis can be costly and time-consuming. But it's more costly to set up a business only to discover there's not enough demand for your product or service to keep the business afloat.

These are some of the questions you need to answer:

- Who exactly is your market? What are the market demographics (i.e. age, income, education, sex, religion, hobbies, marital status, homeowners or renters, etc.)?
- Where is your market geographically?
- What is the present size of this market?
- What share of the market can you expect to gain?
- Is this market growing?
- Who would be your competition?
- How will you attract, keep and increase your market share?
- What will you charge for your product or service?
- What are your competitors charging?
- If your price is higher, what's special about your product to justify the higher price?

To answer these questions, you can hire a market analysis company or you can do your own market research. Here are some sources you might consult in collecting market data:

- **Statistics Canada** — census data, demographic information
- **Your local or provincial chamber of commerce**
- **City, town or municipal office**
- **Internet research** — a quick way to assess the size of your competition and target market (if your potential clients are other businesses)
- **Professional and industry associations** — these organizations collect data on areas of interest to their membership. Check your public library for trade publications related to your area of interest.
- **Your potential clients or customers** — interview a representative sample of your potential customers with questions designed to determine how receptive they would be to your proposed product or service. For example, if you were planning to start a housecleaning service, you might ask whether they have used such a service in the past, whether they would consider using such a service in the future and, if so, how often they might use such a service.

Financial considerations

Depending on the enterprise, a new business can take more than a year or two to start generating a full-time income, let alone profits. How will you deal with the start-up costs and financial requirements of your business and take care of your own living needs as well? Some people choose to keep their job or take a part-time job while building their business gradually. Perhaps you have some savings or a severance package to put into a new business. But unless you're starting a consulting business from your home, you will probably have to borrow to supplement your

savings. Many beginning entrepreneurs borrow from friends and family or find a silent partner to provide financial backing.

A number of federal and provincial government agencies provide loans to small businesses. Some provide services that match investors with businesses that need financing. See the Resources chapter for information on some of these agencies.

Home-based businesses

If you're planning to operate a consulting business from your home and already have some key contacts from your employment experience, you could be supporting yourself within months. Don't forget, however, that cash flow can be scarce at the start. Even if you have clients, you will need to complete work for them before you can bill them. Unlike an employment situation, where your paycheque arrives promptly at the end of each week or month, in the business world, clients often operate on a 30-day turnaround from the date of the invoice. Some take even longer to pay.

Depending on the nature of your business, you should have a financial cushion equal to at least six months' living expenses to tide you over until your cash flow becomes steady. Even when you achieve a steady income, you should keep a six-month financial reserve to cover you in an emergency or when work is thin.

In addition to having a financial cushion, you may need to equip your home office. Basics include phone with separate business line, fax (preferably with separate line), computer with Internet connection, copier, plus comfortable furnishings. Purchasing equipment for a home office can cost thousands of dollars. Some of this equipment can be rented or leased.

Other costs to consider: business cards, supplies, mobile phones, brochures and other marketing materials (perhaps a website), professional and association memberships, and business licences and permits, to name only a few. It is also wise to purchase disability insurance and add a business use rider to your home and vehicle insurance policies. Depending on your business you may also need special liability insurance to cover you for errors and omissions. You will need legal services if you decide to incorporate and accounting services to help you set up your books and prepare your tax statements.

Other types of businesses

Retail, manufacturing and service businesses operated outside the home have many more costs to consider in addition to the above. They include, among others, the cost of

- renting or building a facility
- hiring, training and paying staff
- renting or purchasing and maintaining equipment
- hiring legal, accounting and financial expertise
- purchasing supplies and raw materials
- advertising and marketing
- obtaining necessary licences and permits
- meeting environmental standards and other regulations.

Keep your overhead low

Some ways to minimize financial problems and keep your overhead low during start-up:

1. Start your business in your home, if possible, and grow it from there.
2. Buy only the equipment and supplies you need to start.
3. Shop for bargains. Don't insist on going first class.
4. Don't carry too much inventory.
5. Practise "just-in-time" staffing. Hire people for specific projects only when you need them.
6. Consider a business incubator setting where new businesses can benefit from free or low-cost shared reception and secretarial services and equipment.
7. Try to make special arrangements with subcontractors and suppliers so that you won't have to pay them until your client pays. Ideally you would get your clients to agree to a 15-day turnaround on your invoices, then pay your suppliers on a 30-day turnaround.

Licences and permits

One of the more time-consuming steps in a business start-up is sorting through the maze of licences, permits and registration requirements of municipal, provincial and federal governments. Don't leave this step until last. The sooner you start, the better. There's no hurrying bureaucracy. The following are only some of the licences, permits and registrations you may need to attend to:

Local

- development permit (when operating a business out of your home or changing the use of your business space)
- building permit
- business licence
- business tax assessment
- health approval (permit to make, sell or store food and drink)

Provincial

- registration of business name (establishes some credibility and qualifies you for a business account at a bank, but does not protect business name)
- incorporation (protects business name, limits liability and confers special tax status)
- provincial licences, bonds or trust accounts
- provincial income tax (if incorporated)
- applicable provincial permits or licenses, such as a food handling permit
- liquor licence
- Workers' Compensation coverage (if you have employees)

Federal

- GST (Goods and Services Tax) — all businesses with gross revenue of more than \$30,000 must register with the Canada Revenue Agency to obtain a Canadian Business number to collect and remit the GST.
- federal income tax — federal law requires that all employers collect and remit Canada Pension Plan contributions, Employment Insurance premiums and personal income tax to the Government of Canada (if you have employees).

- labelling — the federal government has regulations relating to labelling of various food, textile and other products. Check with Agriculture and Agri-Food Canada and Industry Canada, Office of Consumer Affairs, for information.
- importing/exporting — contact the Canada Border Services Agency regarding permits, restrictions and regulations.

Writing a business plan

Lack of proper planning is a major cause of business failure. Every business, no matter how small, needs a business plan. Basically, a business plan describes your product or service and how you intend to market it. It outlines how you plan to operate and finance your business. A business plan is absolutely essential to borrow start-up money from a commercial lender. Even if you don't need to borrow money to finance your enterprise, you should write a business plan. Here's why.

A business plan

- clarifies your business idea
- helps you spot potential opportunities you might otherwise overlook
- provides a standard by which to measure your progress
- helps you anticipate change and adapt to it
- helps you identify potential weaknesses and correct them at the start
- helps you obtain financing, if needed

Perhaps most important, putting your plan in writing, in great detail, tests your commitment. Is this what you want to do with your life at this time? Are you looking forward to the challenge?

There are numerous resources available to help you prepare your business plan, from books, computer software and websites to not-for-profit business support agencies and professional business counsellors (see the Resources section). Be sure to look at examples of successful business plans before writing one on your own.

Typical business plans include

Executive summary. Provide a one- or two-page overview describing your proposed business, product

or service and market, as well as your management team, projected costs, financial requirements and financial forecasts.

Company and industry. Give the particulars of your business (name, address, date of registration, form of ownership, major shareholders, industry classification of your business) and describe the extent of your involvement in the business, progress to date and prospects for the industry as a whole.

Product or service. Describe your product or service (include photo or brochure, if possible), the research and development already undertaken and projected costs of research still needed, the features of your product or service that would give you a competitive advantage, and your future development plans.

Market. Define your potential customers (who and where they are), the estimated size of your market and expected market share, any relevant market trends, and your competitors (how their product or service compares with yours).

Marketing plan. Explain how you will inform your customers about your product or service. What will you spend on advertising? What price will you charge? What level of sales do you require to break even? How will you distribute your product?

Operations. Explain how and where you will operate your business. What are the advantages of your location? What licences, permits or insurance will you need? What materials and equipment will you need and what will they cost? Who are your suppliers and what are their terms? What staff will you need? What will be the cost of overhead? What will be the total cost of delivering your product or service?

Management. Explain how the business will be managed. If it will be a small business with you as the owner/operator, describe your experience and skills and include your resumé. Will you have partners? What role will they play? Include information on their background. If you're planning a larger type of business, describe your management team—their experience, skills and responsibilities. Attach their resumé. List your directors, if applicable, and the names of your lawyer, banker and accountant. Provide an organizational chart, if applicable.

Timetable. Provide estimated dates for each step (acquiring equipment, hiring staff, financing, etc.) required before you open for business.

Financial information. Give the total estimated cost of starting and operating your business, including a detailed breakdown. Where do you expect to obtain these funds? What investment are you bringing to the business? How much funding are you asking of the financial institution that is receiving your business plan? What future funding will you require?

Financial forecast. Provide a three-year financial forecast, including anticipated sales, earnings and retained earnings, cash flow and balance sheet statements. Depending on the type of business you are planning and your progress to date, your business plan will contain more or less detail than outlined above. The more detail the better.

Writing proposals

If you are planning to work as a contractor or consultant, you will need to know how to write proposals, because that's how you are likely to win a good portion of your work. Due to tight budgets and increased accountability in both government and the private sector, even small projects are now being put out to tender. **Tendering** is a process in which the client invites qualifying individuals or firms to submit proposals outlining how they would complete a particular project and what they would charge. Here are some tips on how to create a winning proposal:

Preliminary research. At the very start, get answers to the following questions:

- **Who are the clients?** Consider not only the client who will ultimately accept or reject the proposal, but also the others whose needs will be satisfied by the work under contract.
- **What exactly is the task that needs to be done and for what purpose?** Or, what problem is the client trying to solve and why is it a problem?
- **What are the project timelines?**
- **What budget range does the client have in mind for the project?** (The client may refuse to reveal this information.)
- **Who is your competition?**

Don't be afraid to ask questions. It helps to build a relationship with the client and they'll appreciate your interest.

Project research. Depending upon the type of project under tender you may need to do some research into how the client's particular task or kind of problem has been dealt with in the past by others. This information will also help you to explain how your approach is new or unique. Determine in detail your strategy for carrying out the project and the people, time, equipment and other resources that will be required. Draw up your budget.

Drafting your proposal. Basically, a good proposal will have the following elements:

- **Title page** — including project title, date, client's name, your firm's name and address, a contact person (name and title), and phone and fax numbers.
- **Table of contents** — for anything longer than four pages.
- **Executive summary** — a brief summary (a page or less) highlighting the need for the project and the proposed solution.
- **Background or introduction** — a page or less identifying the task or problem and introducing your business as the right one to carry out the project. Demonstrate the knowledge and expertise you bring to the situation and suggest your approach in broad terms. Then introduce the proposal, which will explain your approach in detail.
- **Project goals or objectives** — statement(s) listing the expected outcomes of the project.
- **Method** — a brief description of how the goals will be achieved, outlining each step of the project in succession and explaining how each relates to the goals.
- **Project team** — a list of the people who will carry out the project, including the title and credentials of each.
- **Timelines** — a schedule listing each activity involved in the project in sequence and the specific time frame during which it will be carried out.
- **Budget** — a detailed list of costs for each step of the project. Be sure to include expenses such as project management services, travel, supplies, long distance telephone and courier costs. Once they have calculated actual costs, some consultants add 35 to 45 per cent to allow for overhead costs, such as space, utilities, reception and other office expenses. Once it is added in, this overhead item amounts to 28 to 33 per cent of the total budget. However, don't include an "overhead" line in your budget. Simply build the amount into the other items in the budget. Be sure to schedule payments

at intervals throughout the term of the project—for example, at each stage—to cover the expense of carrying out the contract.

Estimating costs and preparing quotes is a skill that improves with experience. You may be able to find out what others have charged for similar projects or what the fair market value of a project is through your professional network.

If you get the contract, be sure to keep track of your actual expenses and the hours you spent on the project so you can improve your estimating skills for future proposals.

- **Appendices** — additional documentation that might include resumés of your project team, your client list, and your promotional material.

Your proposal should include a cover letter referring to the invitation to tender and briefly stating your keen interest in the project, a key attribute you bring to the project, a list of the materials enclosed and your availability to answer any further questions.

Is it self-employment or employment?

When you do work on contract, it is important for tax purposes to clearly establish whether you are working as a self-employed individual or an employee. That's because working on a contract may or may not be considered self-employment in the eyes of the Canada Revenue Agency. Each case is judged individually. The main criterion is whether there is an employer/employee relationship. That is, if you are told how, when and where to do the contracted work, and work on client premises, it could be considered employment. If you have a large degree of autonomy in completing the work, it may be considered self-employment.

For more information, see the publication *Employee or Contractor? Know the Difference* at alis.alberta.ca/publications

Spell it out

How do you negotiate a contract that will satisfy the Canada Revenue Agency that you are self-employed?

- Make sure the wording specifies that this is an independent contractor relationship and not an employer/employee relationship.
- Specify that you will not represent yourself as an employee of the company.
- State the date the work will begin and the date it will be completed (or the quantity of work to be performed), how much you will be paid and when you will be paid.

The dirty dozen: Watch out for these 12 pitfalls

Not every entrepreneur with a good idea makes it. If you look at starting a business as a journey, the idea is only the departure point. There are many potholes along the route. The entrepreneur who anticipates and plans for the pitfalls will have the best chance at success.

Here are some common reasons why a business might falter:

- 1. Failure to understand the market.** If you don't know your potential customers and their needs, you can make mistakes in pricing, advertising or distribution. A thorough market analysis at the start is a must.
- 2. Failure to plan adequately.** Careful planning is not only essential for getting a business off the ground but also for keeping it airborne. Once you're up there, where do you want to go? How will you grow your business? Where do you want to be in five years?
- 3. Insufficient financing.** Here's where entrepreneurial optimism can get you in trouble. Underestimating expenses and overestimating revenue are common errors. Be sure to have an emergency fund for unforeseen difficulties.
- 4. Mismanagement of finances.** Not providing for enough cash flow and carrying too much inventory can sink a business before sales start rolling in with some regularity.
- 5. Growing too quickly.** How can too much success be bad? It's not uncommon for a new company with a good product or service to receive a sudden rush of orders that it can't handle or doesn't have the funds to purchase raw materials for. As a result, customers may be disappointed and never come back.
- 6. Lack of commitment.** There's no halfway when you're in business. To make it succeed takes a tremendous amount of time and energy. If you don't have that kind of commitment, you can bet the competition does.
- 7. Lack of attention to changing markets and business climate.** Change is the only constant in life. No matter how good you are at what you do or how good your product, you need to keep up with—no, keep ahead of—your market. What worked for you at the start of your enterprise is not an ironclad recipe for eternal success. Keep abreast of trends. Keep in touch with your customers and their needs and be prepared to change accordingly.
- 8. Lack of experience.** This is a hard one to avoid—there's always a first time in business. You can prepare yourself by learning as much as you can from others who've gone before you.
- 9. Underestimating the competition.** Some people approach business like a game of Monopoly—there will be winners and losers. Know who your competition is and don't expect mercy.
- 10. Inability to find and keep competent, reliable employees.** Finding, training and keeping competent, reliable employees is one of the biggest challenges of a business owner. Train and treat staff well and let them know what you expect of them.
- 11. Dishonesty.** It never pays.
- 12. Insistence on going first class.** During the delicate start-up phase of a business, resist the temptation to surround yourself with the external trappings of success—expensive furniture, posh office, fancy car. You can't afford it. Look for bargains and buy second-hand where possible, but don't skimp on quality where it counts—that is, where your product or service is concerned.

Next steps

This book was designed to help you decide if you have what it takes to be your own boss. It also outlines the steps you'll need to take to get your enterprise off the ground. But it's only a beginning. Your next step? Roll up your sleeves and take action. Here are some suggestions to get you started:

Explore. Look around your community for business ideas, services and goods that are needed, businesses to emulate and business owners who can serve as mentors.

Talk to someone who has done it. Ask entrepreneurs how they got started, what they like and dislike about their career and what they would do differently.

Do your homework. Read everything you can on how to start a business, what the marketplace is like in your area, what products or services are in demand and what trends are expected in the future. Seek out the appropriate agencies and resources listed in the next section for more information and counselling.

Take a course. Many government and community agencies and business organizations offer training programs for potential entrepreneurs.

Research the advantages and disadvantages of various options. Starting from scratch, purchasing a franchise, purchasing an existing business—decide which you will pursue.

Identify the knowledge, experience and skills you need. For example, organizational, time management or bookkeeping skills.

Seek out business networks in your community. Your local Chamber of Commerce can usually direct you to them.

Get professional advice. Ask other entrepreneurs to refer you to lawyers, accountants and business consultants who can help you anticipate problems and work out solutions.

Develop a business plan. Absolutely essential! Outline in detail your business objectives, marketing strategy, operating procedures, organizational structure, cash flow projections and financial system.

Start part time and work from your home, if you can. Let your business grow into a full-time endeavour.

"A lot of small business people get so caught up in work they don't take the time to develop procedures and expectations for their staff. But for us, that's the whole key to growth. I know my staff will make or break the business. That's why I prefer the role of 'coach,' as opposed to 'boss.' If your employees help plan the battle, they won't battle the plan."

—a northern Alberta retailer

"Watch your overhead and don't be afraid to operate out of your home at first. A lot of businesses fail because people get caught up in glitzy offices and luxuries they don't need."

—an Alberta inventor running a successful company

Top 10 tips

To prepare this guide we talked with self-employed people of all ages in a wide range of enterprises. We asked them the secrets of their success and what advice they'd give a person just embarking on a new enterprise. Here are their top 10 tips:

1. Focus on one angle—the best service, friendliest staff, best price—something you can become known for.
2. Find people who run successful businesses and learn from them. Use them as mentors.
3. Surround yourself with good, capable people.
4. Know the industry you're getting into. Get hands-on experience.
5. Even if you don't have competitors, pretend that you do. Your business will run more effectively that way.
6. Set long-term and short-term goals. You need a vision for the long term, but you also need to achieve short-term goals to feel you're making progress.
7. Plan well and go slowly.
8. Keep an open mind and keep learning.
9. Keep your overhead down.
10. Don't pursue anything unless you are 100 per cent dedicated to following through with it.

"I'm a great believer in luck and I find the harder I work, the more I have of it."

—Thomas Jefferson

V. Resources

Alberta Learning Information Service (ALIS)

- industry research links, occupational profiles, employment outlook and wage and salary ranges in Alberta
- articles on self-employment and resources for business owners

Phone: 1-800-661-3753

Email: info@alis.gov.ab.ca

Website: alis.alberta.ca

Contact Government of Alberta from your mobile phone

Certain mobile service providers have a shortcut for contacting the Government of Alberta from your mobile phone, with no long-distance or airtime charges applied. Dial *310 (Rogers) or #310 (Bell or Telus), followed by the 10-digit number for the office you want.

Aboriginal Business Development

Apeetogosan (Métis) Development

- delivers small business grants for Indigenous clients who qualify for small business loans
- provides advisory services for research, marketing, accounting and management

Phone: 1-800-252-7963

Email: office@apeetogosan.ab.ca

Website: apeetogosan.com

Agricultural Development

Ag-Info Centre

- provides specialists and links for those pursuing new opportunities in Alberta's agriculture industry

Phone: 310-3276

Website: agric.gov.ab.ca

Business Associations

Canadian Bankers Association

- provides financing options for small businesses
- tips on how to write a business plan and financial management

Phone: 1-800-263-0231

Email: inform@cba.ca

Website: cba.ca

Canadian Federation of Independent Businesses (CFIB)

- provides support on small business issues for members

Phone: 1-888-234-2232

Email: cfib@cfib.ca

Website: cfib.ca

Canadian Franchise Association

- educates Canadians about franchising, specific franchise opportunities, and franchisees' due diligence

Phone: 1-800-665-4232

Email: info@cfa.ca

Website: cfa.ca

Innovation and Entrepreneurship

Alberta Innovates

- advisory services, industrial research, technology assessment, demonstration, testing and analysis for innovation that is unique
- government and universities collaborate to share resources, experts and ideas for four sectors

Website: albertainnovates.ca

Alberta Innovates – Biosolutions

- research agency that works with partners to identify, coordinate and fund research products in the agriculture, food and forestry sectors

Phone: 310-0000, then dial 780-427-1956

Email: bio@albertainnovates.ca

Website: bio.albertainnovates.ca

Alberta Innovates – Energy and Environment Solutions

- research agency that works with partners to identify solutions for the biggest challenges facing Alberta's energy and environment sector

Phone: 403-297-7089

Email: ees@albertainnovates.ca

Website: ai-ees.ca

Alberta Innovates – Health Solutions

- provides leadership for Alberta's health research and delivers funding and support in health research and innovation activity

Phone: 1-877-423-5727

Email: health@aihealthsolutions.ca

Website: aihealthsolutions.ca

Alberta Innovates – Technology Futures

- supports research and innovation activities directed at the growth and development of technology-based sectors, the commercialization of technology and the provision of business and technical services

Phone: 780-450-1111 (in Edmonton)

403-210-5222 (in Calgary)

780-632-8211 (in Vegreville)

780-987-8744 (in Devon)

Email: referral@albertainnovates.ca

Website: albertatechfutures.ca

Alberta Women Entrepreneurs (AWE)

- supports women entrepreneurs with information on programs, financing, resources and networking

Phone: 1-800-713-3558

Email: info@awebusiness.com

Website: awebusiness.com

Build in Canada Innovation Program

- helps with pre-commercial innovations
- provides testing and feedback to entrepreneurs on the performance of their goods and services

Phone: 1-800-811-1148

Email: innovation@pwgsc-tpsgc.gc.ca

Website: buyandsell.gc.ca/innovation

Business Link

- helps Alberta's entrepreneurs start their own business with one-on-one guidance, market research, access to experts, training, and networking opportunities
- specialized services for Aboriginal entrepreneurs

Phone: 1-800-272-9675

Email: askus@businesslink.ca

Website: businesslink.ca

Startup Canada

- supports entrepreneurs through online programs and national awards
- partners with private sector and government to foster community for small business startups

Phone: 1-613-627-0787

Email: hello@startupcan.ca

Website: startupcan.ca

TAL Online (The Alberta Library)

- loans resources and digital databases from over 20,000 worldwide libraries
- access to Associations Canada, a database of professional, trade and business organizations for networking or finding new markets

Phone: 780-414-0805

Email: help@thealbertalibrary.ab.ca

Website: talonline.ca

Tourism Entrepreneurship Program

- Government of Alberta program provides advisory services and workshops for tourism entrepreneurs in Alberta who want to innovate their tourism product

Phone: 310-0000, then dial 780-422-4991

Email: tourism.entrepreneurship@gov.ab.ca

Website: tourism.alberta.ca/entrepreneurship

Business Financing

Alberta Enterprise Corporation

- venture capital support for Alberta technology entrepreneurs
- connects entrepreneurs, investors and experienced technology veterans

Phone: 780-392-3901

Email: info@alberta-enterprise.ca

Website: alberta-enterprise.ca

Business Development Bank of Canada

- specialized financing and consulting for commercially viable business projects
- e-books and business templates

Phone: 1-888-463-6232

Website: bdc.ca

Canada Small Business Financing Program

- helps new businesses get started, make improvements and expand
- improves access to small business loans

Phone: 1-866-959-1699

Website: ic.gc.ca/csbfp

Community Futures Alberta

- delivers economic development support, and technical and advisory services
- provides loans to eligible small and medium-sized businesses
- also offers services targeted to youth and entrepreneurs with disabilities
- hosts Alberta Youth Entrepreneurship Camps
- offices are located throughout Alberta

Phone: 1-877-482-3672

Website: albertacf.com

Futurpreneur Canada

- provides financing, mentoring and support tools to aspiring business owners aged 18 to 39
- manages the Prince's Operation Entrepreneur program for transitioning Canadian Armed Forces members

Phone: 1-800-464-2923

Website: futurpreneur.ca

Opportunities Fund for Persons with Disabilities

- offers financial assistance for business start-up training for those who have a permanent physical or mental disability

Phone: 1-888-576-4444

Website: entreprisescanada.ca/eng/program/2082/

Licensing and Permits

BizPal

- online single point of contact to find out what permits and licences are needed from all levels of government—municipal, provincial/territorial, and federal—to start or grow a business

Website: bizpal.alberta.ca

Canada Revenue Agency (CRA)

- rules for self-employed people, entrepreneurs or business owners on issues such as taxes and audits, payroll and record keeping

Phone: 1-800-959-5525

Website: cra.gc.ca/business

Canadian Intellectual Property Office

- provides information on intellectual property protection, including patents, copyrights and trademarks

Phone: 1-866-997-1936

Email: ic.contact-contact.ic@canada.ca

Website: cipo.gc.ca

Small Business Support

Alberta Business Directory

- free online directory to search businesses, companies and services in Alberta
- over 80,000 companies and organizations listed

Website: alberta-business-directory.com

Albertacanada.com

- information and resources for Alberta businesses considering international markets

Phone: 780-427-4323

Email: export.alberta@gov.ab.ca

Website: albertacanada.com/business.aspx

Alberta Small Business Resources

- a directory of business resources for new and established entrepreneurs

Phone: 1-844-422-7705

(to speak to a small business advisor)

Website: smallbusiness.alberta.ca

Alberta Works Centres

- provide resources on occupational health and safety, Alberta's employment standards and other workplace topics
- locations are across the province

Phone: 1-800-661-3753

Website: alis.alberta.ca/awc

Better Business Bureau

- provides businesses with an accreditation that acknowledges good standards
- gives members access to online programs such as website creation and social media presence

Central and Northern Alberta

Phone: 1-800-232-7298

Email: info@edmonton.bbb.org

Website: bbb.org/edmonton

Southern Alberta

Phone: 1-800-221-6690

Email: info@calgary.bbb.org

Website: bbb.org/calgary

Business Abilities

- provides online tools, assessment, research and training for persons with barriers who wish to pursue self-employment

Phone: 1-888-927-7473

Website: businessabilities.ca

Canada Business Network

- assists entrepreneurs in starting, growing and expanding their business
- provides information on government grants, loans or access to small business financing

Phone: 1-888-576-4444

(to speak to a small business advisor)

Website: canadabusiness.ca

Concierge

- gives advice to small and medium-sized businesses
- connects entrepreneurs to funding and support programs

Phone: 1-855-534-8433

Website: concierge.innovation.gc.ca

Employment Insurance Special Benefits for Self-Employed Individuals

- provides information on maternity, parental, sickness and compassionate care benefits available to self-employed Canadians

Phone: 1-800-206-7218

Website: esdc.gc.ca/en/ei/self_employed_workers/index.page

Rural Alberta Business Centres

- provide information, advice, workshops, seminars and services to rural business owners and entrepreneurs
- offices are located throughout Alberta

Website: rabc.ca

Statistics Canada

- provides demographic information to prepare a market analysis
- some customized report requests are available for a fee

Phone: 1-800-263-1136

Email: infostats@statcan.gc.ca

Website: statcan.gc.ca

Tendering and Contracting

Alberta Purchasing Connection

- opportunities to bid on work and projects for Alberta's public sector

Phone: 310-0000, then dial 780-644-5726

Email: apc.help@gov.ab.ca

Website: purchasingconnection.ca

Business Access Canada

- electronic tendering site for doing business with the Government of Canada

Phone: 1-800-811-1148

Website: buyandsell.gc.ca

Feedback

We'd like to hear from you ...

Self-Employment: Is it for me?

Date _____

Send your comments to the addresses or fax number provided at the bottom of this page:

What specific information in this publication did you find useful? How did it help you?

How could we improve this publication? What was not useful?

Do you have any suggestions for other information or other publications that would be of value to you?

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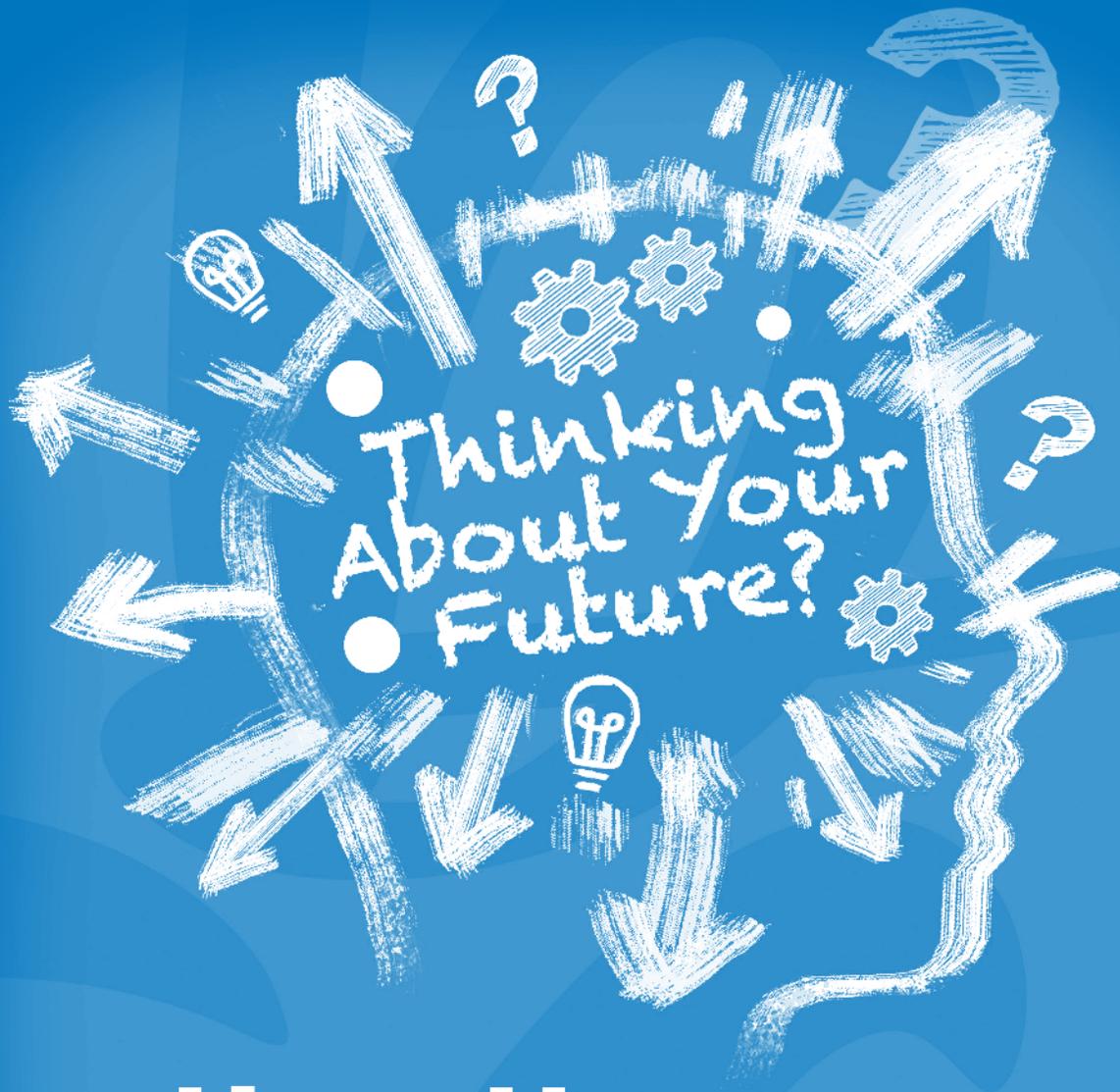
Phone: _____ Fax: _____

Send to Workplace and Career Planning
Alberta Labour

Mail: 12th Floor, South Tower, Seventh Street Plaza,
10030-107 Street, Edmonton, AB T5J 3E4

Fax: 780-422-5319

Email: info@alis.gov.ab.ca



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