

# Are you an entrepreneur?

BUSINESS COACH SERIES



- Assessing yourself
- Your personal and business goals
- Looking to the future

# The entrepreneurial spirit

## The situation

*You believe you have the entrepreneurial spirit. Perhaps you've invented a product, or developed a better way of doing something. Or perhaps you simply want to work for yourself, own your own business, buy out your boss, or start an independent career when your employer "downsizes".*

*But you realize that being an entrepreneur isn't easy. It can constitute a big investment in time and money. It can be risky. While friends and family may provide support, it would be better to get an objective opinion as to whether or not you are cut out for the life of an entrepreneur.*

## The solution

*At BMO Bank of Montreal®, we are committed to helping Canadian businesses develop and succeed. The purpose of this Business Coach is to use our experience dealing with businesses of all shapes and sizes to help people who are seriously considering becoming entrepreneurs or are just starting out on their own.*

*By nature, entrepreneurs are optimists. Successful entrepreneurs are also realists. This Business Coach will help you be a realist: about yourself, in assessing the future, in your dealings with others, in your expectations, and in setting your goals.*



## Have you got the “right stuff”?

The essence of entrepreneurship is the creation and building of a business to exploit a market opportunity.

This Business Coach will help you determine whether you’ve got what it takes to become successful. Using the four self-assessment checklists that follow, you’ll learn which attributes are essential for success as an entrepreneur. You’ll see instantly where your own strengths and weaknesses lie, and what you can do right now to improve your chances of success.

### Tips

Make sure your entrepreneurial motivation is based on something positive (“This is a great idea people will love”) rather than negative (“I just can’t stand driving downtown anymore”).

## PART 1

### Your psychological self

Being an entrepreneur places great demands on you. Having a good idea for a product or service is one thing; turning it into a viable business is quite another. Do you have the necessary qualities? Ask yourself the following questions, and answer them honestly, grading yourself from 0 points (a definite “No”) to 10 points (a very strong “Yes”).

- **Are you a self-starter?** Always on the lookout for new ideas? Don’t need nudging to get going on difficult tasks?

Points

- **Are you good with people?** Do you enjoy working and socializing with others? Do you relate well to those who have different ideas from your own?

Points

- **Are you a leader?** Do people naturally look to you for decisions and follow you easily? Do you prefer to be the one to get things going?

Points

- **Can you take responsibility?** Do you like to take charge? Do you prefer it when the “buck stops with you”?

Points

- **Are you a good organizer?** Do you plan everything, keep lists, set priorities? Can you cope with several problems at once?

Points

- **Are you hard working?** Do you work long hours, not let up until the job's done? Would you rather hold off on the good things in life to ensure the work gets finished?

Points

- **Are you good at making decisions?** Do you consider yourself decisive? Are your decisions generally sound? Even under pressure?

Points

- **Can people trust your word?** Are you as good as your word and never say things you don't mean? Are you straightforward with people even if it's easier to tell people what they'd like to hear?

Points

- **Can you stick with it?** Once you've made up your mind to do something, do you remain committed?

Points

- **Is your health good?** Are you in good shape, able to work long hours without getting run down or having to take time off?

Points

**TOTAL**  
(out of 100)

If your total score is higher than 60, you may well have what it takes. But concern yourself with any area where you scored less than five. Is there something you can do to improve yourself in that area? Can you get a partner, a key employee or a part-time adviser who can complement you in areas where you are weak?

Finally, make a copy of this list, give it to a close friend, and see how that person scores you. Are you deluding yourself — being too lenient, or even too hard, on yourself? At this stage, there's no substitute for brutal honesty.



Operating on your own can get lonely. Join an association or group of like-minded people so you'll be able to discuss problems and challenges and get needed feedback.

## PART 2

### Your personal circumstances

Don't underestimate the impact of your personal circumstances on your business, and vice versa. These two facets of your life can be inseparable. Answer "Yes" or "No" to the following questions.

- Are you willing to risk your savings in this venture?
- Do you have the support of your spouse and family?
- Do you have a secondary source of income for the short term?

Yes No

Yes No

- Are you and your family prepared to accept a temporary drop in income?
- Are you suited to setting up and running your own business?
- Do people who know you think that you are suited to it?
- Have you honestly assessed what your weak points are?
- Do you have a plan to improve these weaknesses or compensate for them?
- From your own and your family's point of view, is this a good time to start up your own business?

List the pros and cons. (It's rarely *exactly* the right time, but you should be able to list more pros than cons.)

Any "No" should be taken seriously — very seriously. A single "No" can outweigh all the "Yes" answers combined. Remember: once you start, you're committed. Turning back can be difficult and usually very costly — both financially and to your pride and ego.

### Tips

Inventions and ideas are best judged by people who have no stake in "hurting your feelings."



## PART 3 Your goals

You won't know where you're going, or how well you're doing, if you don't have specific goals — both business and personal — and a plan for achieving them. Answer "Yes" or "No" to the following questions. (To help you answer the questions accurately, we suggest you first read the companion Business Coach, *Developing your business plan*. For the final question, also read *Planning your cash flow* and *Creating a financial proposal*.)

Have you:

- developed and written out business goals — sales and profit, net worth, share of market — for the next year, and the following three to five years?
- developed written personal goals — net worth, take-home salary, time for vacation, and so on — for the next year, and the following three to five years?

Yes No

Yes No

- calculated what your financial investment will be, including possible reduction in salary, over the next year and for the following three to five years?
- decided that having your own business is the best way to achieve your personal goals?
- made these goals realistic enough to be achievable?
- prepared a business plan and, if necessary, a financial proposal to show to a banker, venture capitalist, or any other outsider whose financial help and backing you may need?

Your answer to each of the above questions should be “Yes.” If there is a “No,” consider if you’ve done sufficient homework up front. What you do thoroughly now will save you endless grief later, when you will have less time and flexibility to do anything about it.

### Tips

In some cases, purchasing a franchise from a company with a good track record can increase your odds for success.

## PART 4

### Your business

You may never have thought of yourself as a manager before. But as an entrepreneur you are one — an owner-manager. The buck stops with you, *and* it’s your buck.

Answer “Yes” or “No” to the following questions:

Yes No

- Have you had personal experience in the field?
- Do you have the expertise or knowledge to run the business?
- Do you have experience in sales and marketing?
- Do you have experience in accounting and finance?
- Do you know how many employees you will need and how much you will have to pay them?
- Do you have a group of trusted advisers to whom you can talk?
- Are you consulting with a good outside accountant?
- Are you consulting with a good corporate lawyer?
- Do you have a good relationship with your banker?
- Have you made provision for adequate insurance?
- Do you know who will take over the business if something happens to you?

## Tips



Ensure you are aware of the amount of record keeping, bookkeeping, accounting and expense reconciliation involved in your business. They can add many hours to your work week.

A “No” among your answers is not the end of the line; you simply need to correct the problem before proceeding. For example, if you have not had experience in a particular field, find a partner, joint-venturer or key employee who has. If you do not have an accountant, get one. The time to act is now; later may mean acting under pressure and that can lead to mistakes, cutting corners and making poor decisions.



## PART 5

### Looking at the world beyond

You’ve taken a good look at yourself and your abilities in the role of entrepreneur. You’ve developed a business plan, with clearly defined goals for the short and the long terms. Now let’s take a brief look into the future. Any business has three critical stages of development: start-up, growth, buyout. At each stage, the challenges change, the risks are different. The successful entrepreneur anticipates the changes and manages the risks — effectively.

#### Start-up

You are charting new territory. Do you really understand the market?

- Where does your product or service fit? How do its unique advantages stand up to the competition? Will customers perceive the benefit you’re offering? What is the best way to get the product to the customer? Can you find a niche in the market that you can serve better than your competitors? Can you get your product to the customer efficiently and at a reasonable cost, without sacrificing flexibility? (See the companion Business Coach booklet *Marketing your business* on this topic.)
- Have you examined all the different sources of supply? Have you thoroughly checked whether it is better to make the product yourself, or to farm out all or part of the production? Are you relying on only one source? Are there sources that need you as much as you need them? Will they give you extended terms in the early days? Will they help you with future product improvement and development?
- Do you have adequate financing? Have you reviewed your plans with your banker?

Without assets to pledge in the business, do you have personal or family collateral? Do you need more equity? Are there private backers — friends or family — with whom you can share the risk/reward? (See the companion Business Coach booklets *Finding sources of capital* and *Working with your banker* on these topics.)

## Growth

Growth brings its own problems. Your business is no longer a one-person show.

- Are you now managing others by objective; that is, letting them “buy into” the goals? Do you meet with staff regularly? Have you clearly identified tasks, responsibilities?
- How has the market changed since you started? How has competition reacted? Has this affected your margins or eroded your product differences? Are product improvements or additions required? Have you moved from a unique product (high margin) to a commodity (low margin)? What are the implications? (See the companion Business Coach booklet *Marketing your business* on this topic.)
- Are your original sources of supply still adequate? Now that your volume is higher can you, or should you, bring more in-house or look for other sources of supply? Is it time to compare quality, service, and costs among suppliers now that you are established?
- Is your financing still adequate? Are you “overtrading” (see the companion Business Coach booklet *Making sense of financial terms and jargon* on this topic)? What other sources of finance are available now that you have a track record, predictable cash flow and some fixed assets? Have you reviewed your situation with your banker? Your accountant?

## Buyout

Sometimes a buyout can be a great way to get launched on a business expansion. But consider:

- Why is the vendor selling? Are his/her problems going to be your problems, or are they your opportunity? Are the old managers staying? How can you keep them committed? Do you need them?
- Where does the company and its products fit into the marketplace? Are your sales or the whole market growing? Stagnating? In decline? Are there opportunities for merger, restructuring in the marketplace? Can you see opportunities the previous owner missed, or are you being dangerously naive in your enthusiasm? Will the owner show his/her commitment with an “earn-out” valuation, where part of the price will depend on future results? Consider warranties, penalties and/or price adjustments in case things turn out not to be the way they were represented. Talk to your lawyer.
- Have you talked to all the suppliers? Will they continue their support? Give more support? Can you assume existing contracts? Do you want to?
- Are you financing to the limit, or do you have a safety margin? Is your deal over-leveraged; that is, too heavily dependent on debt? Is the debt at fixed or floating interest rates? What margin do you have if volume falls, or cash flow shrinks? In your eagerness to “do the deal,” are you overpaying?





At BMO Bank of Montreal, we are committed to helping Canadian businesses develop and succeed. To this end, we've created a Business Coach Series that provides information and knowledge that can optimize the value of your company's financial resources. The booklets that make up the Series focus on essential areas of financial management allowing you to focus on operating your business more effectively.

## For more information on how BMO Bank of Montreal can help your business:

- talk to your Commercial Account Manager
- call us directly at **1-877-262-5907** or
- log on to **[bmo.com/business-resources](http://bmo.com/business-resources)**

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