

Starting a Small Business

# Starting Line Workbook

## Contents

<b>Welcome</b> .....	3
<b>STEP 1:</b> Know exactly what you want in life .....	3
<b>STEP 2:</b> Describe your “perfect fit” business .....	4
<b>STEP 3:</b> Research your business idea .....	6
<b>STEP 4:</b> Develop a vision for your business .....	7
<b>STEP 5:</b> Develop a Business Plan .....	7
<b>STEP 6:</b> Find advisors .....	8
<b>STEP 7:</b> Raising start-up funds .....	9
<b>STEP 8:</b> Recruit your team .....	10
<b>STEP 9:</b> Get your business up and running .....	11
<b>STEP 10:</b> Develop a personal plan .....	17

## Welcome

This Workbook is designed to help you complete the steps to starting a business using our “how-to” examples, advice and fill-in-the-blank sections. You’ll see that each section refers to one of the 10 steps presented in the live *Starting Line* seminar.

Simply apply what you learned in the *Starting Line* seminar to complete the exercises in this Workbook. Use the tools where suggested.

You may also find it helpful to use the Scotiabank Running Start *for business* Tool at: [www.scotiabank.com/runningstart](http://www.scotiabank.com/runningstart)

**Need help?** Contact your Scotiabank Small Business Advisor anytime. Contact your local branch, or visit [sba.scotiabank.com](http://sba.scotiabank.com)

## STEP 1: Know exactly what you want in life

Before you develop a business you need to have a very clear idea of **why** you want to go into your business. You need to come up with a list of reasons that will keep you on track and keep you focused.

- Write out a Personal Vision, for example:
  - ▶ “I want to develop a business that allows me to spend time with my family and travel to different parts of the world.”
  - ▶ “I want my business to pay me \$5,000 a month and generate assets worth \$1,000,000 by the time I retire at 55.
  - ▶ “I want to be able to support my favourite charities.”
  - ▶ “I want to operate my business from home.”

### Developing Your Personal Goals & Vision

List 5 personal goals you would like to achieve in your lifetime:

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_

Write your own definition of “success”:

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List 10 reasons **why** you want to be a business owner:

- |          |           |
|----------|-----------|
| 1. _____ | 6. _____  |
| 2. _____ | 7. _____  |
| 3. _____ | 8. _____  |
| 4. _____ | 9. _____  |
| 5. _____ | 10. _____ |

Determine how much money you need to earn each month.

- ▶ Use the *Money Finder* calculator to calculate how much money you need to earn. Visit [www.scotiabank.com/moneyfinder](http://www.scotiabank.com/moneyfinder)

**Do you have what it takes to be a business owner? Take this Entrepreneurial Test.**

	Yes	No
1. Are you prepared to do whatever it takes to succeed in your own business, such as earning less money for a while and giving up some time with your family?		
2. Are you self-motivated?		
3. Are you prepared to take risks?		
4. Can you manage people?		
5. Are you prepared to live without a regular paycheck?		
6. Are you self-confident?		
7. Do you regularly set and achieve goals?		
8. Do you follow through and complete projects?		
9. Are you self-disciplined?		
10. Do you have good people skills?		
11. Do you enjoy meeting new people and networking?		
12. Are you very organized?		
13. Are you reliable?		
14. Are you good with money?		
15. Are you prepared to listen and learn?		
16. Are you prepared to pick up the phone and ask customers for money?		
17. Are you a good communicator?		
18. Are you someone who does not give up?		
19. Are you prepared to sell?		
20. Are you prepared to work an average of 60 hours a week?		

*If you said yes to 15 or more of the 20 questions, you have the characteristics and potential to become an entrepreneur.*

## **STEP 2: Describe your “perfect fit” business**

### **Find your business passion**

You’re going to spend a lot of time working in your new business, so you better choose one that energizes you. Entrepreneurs are more likely to succeed if they are pursuing their passion. Take the time to discover yours.

What activities do you love to do? List 5 things such as “working with children” or “crunching numbers”:

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_

## Take stock of your skills

You want to develop a business that matches your skills. If you identify gaps in your skills you can take training.

List your Top 5 skills, such as “designing websites” or “making speeches”:

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_

Match your passion and skills to a growth business. For example, here are 20 industries to consider:

1. Health Care
2. Home renovation
3. Franchise
4. Coaching for business
5. Agriculture
6. Security business
7. Financial planning for Baby Boomers
8. Energy saving audit services and products
9. Caterers that make healthy food
10. International cuisine
11. Healthy meals and snacks for children
12. Coffee shops
13. Chocolate shops
14. Online communities
15. Home automation
16. Services for wealthy Baby Boomers
17. Personal fitness training
18. Tutoring and other learning-centred after-school activities for children
19. Employee recruitment agencies
20. Services for new immigrants

For more business ideas, visit these websites:

- ▶ [zazzle.ca](http://zazzle.ca)                      Sell your own designs
- ▶ [trendwatching.com](http://trendwatching.com)        Monitor international trends
- ▶ [springwise.com](http://springwise.com)            New products and services across the world
- ▶ [smallbiztrends.com](http://smallbiztrends.com)        Small business trends

What business ideas appeal to you? List 5 to investigate:

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_

## STEP 3: Research your business idea

Once you have decided on a business to investigate, it's time to conduct some market research. The more information you collect, the easier it will be to decide if that business is feasible, in demand and right for you. There are two types of research: **primary** and **secondary**.

### Primary Research

Ask questions or survey potential customers that you think would be interested in your business. This can be done by phone, email or in person on paper.

### Sample Survey

Lucy and Teresa have decided to start their own business. They plan to offer a typing and bookkeeping service from home, serving nearby businesses. Teresa will do the typing and Lucy will do the bookkeeping. Before they begin their new business, they have decided to do some market research to see if their idea is viable.

Hello, we are thinking about starting a business offering bookkeeping and typing services and want your input. Please take a few minutes to answer these questions. Thank you.	
1. Would you be interested in outsourcing your typing and bookkeeping needs?	
2. Is your business a sole proprietorship or corporation?	
3. Who usually does the bookkeeping for your business?	
4. Do you know exactly how much profit you have made by the 14 <sup>th</sup> of the following month?	
5. What information would you require from a bookkeeping service? Check one or more	
a. Invoicing	<input type="radio"/>
b. Monthly statements	<input type="radio"/>
c. Annual financial statements	<input type="radio"/>
d. Accounts receivable analysis	<input type="radio"/>
e. Accounts payable analysis	<input type="radio"/>
f. Monthly GST and payroll remittances	<input type="radio"/>
g. Other; please specify:	<input type="radio"/>
6. How many pages of typing per month are completed in your business?	
7. How often would you require typing?	
8. How much would you be prepared to pay for a monthly bookkeeping service?	
9. How much do you currently pay for your bookkeeping service?	
10. What other services would you be interested in outsourcing? (Please specify)	

### Secondary Research

Secondary research includes existing information already organized for you. While the information is not specific to your particular business, it may provide valuable background or context to your primary research results. Secondary research data is usually compiled by government agencies, industry and trade associations, unions, media, Chambers of Commerce or other businesses in your industry.

## STEP 4: Develop a vision for your business

### Sample Vision

To become Canada's largest supplier of pet grooming services for discerning dog and cat owners. Our business will open retail outlets in 10 major markets within 5 years and be positioned as a higher-end service recognized for its personalized attention to customers who love their pets. Within 6 years, we will create and introduce our own line of branded pet grooming products.

Try writing your own 3-sentence Business Vision:

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## STEP 5: Develop a Business Plan

Once you have completed your market research and business vision, it's time to write it up in a business plan. A plan forces you to check out all aspects of your proposed venture, get cost estimates, work out systems and think about marketing. A finished plan will guide your actions and help you to raise money if needed.

Here's a list of the components you'll need to complete a business plan. It's a good idea to assign a deadline to complete each one.

### Business Plan Production Schedule

	Completion Date
Market research survey and interviews	
Market research – competitors and industry	
Marketing plan	
Financials – cash flow forecast	
Financials – projected income statement	
Financials – costing and pricing my products or services	
Business operations – management team, suppliers recruited	
Business operations – production systems in place	
Executive summary written	

Use the Scotia Plan Writer *for business*<sup>®</sup> tool to help you build your business plan.  
Visit [www.scotiabank.com/planwriter](http://www.scotiabank.com/planwriter)

## STEP 6: Find advisors

Factors to consider when selecting an advisor:

- ▶ **Qualifications.** Advisors should be qualified by their professional designations, experience and training.
- ▶ **Specialization.** Ensure that your advisor is an expert in your industry. If you're in the manufacturing business you'll want an accountant that has experience in manufacturing.
- ▶ **Compatibility.** Choose advisors you feel "fit" your personality.
- ▶ **Fees.** Know what you can spend on advisor fees and discuss rates.
- ▶ **Comparative fees.** Shop around to get a feel for what other advisors charge.
- ▶ **Referrals.** Ask your prospective advisor for client referrals and contact each one.

### Choosing a Lawyer

Consider hiring a lawyer to:

- Set up your company legally
- Draw up partnership or shareholder agreements, management contracts, employment contracts, supplier contracts and other key documents
- Understand labour laws
- Develop your personal estate plan
- Review legal contracts such as leases

You can either pay a lawyer early to set up your business properly, or later to get you out of legal trouble. Be sure to budget for some legal work at the start of your business.

### Choosing an Accountant

Consider hiring an accountant to:

- Select an accounting system
- Develop your budgets and business plans
- Prepare and analyse financial statements
- Prepare and file tax returns

### Choosing an Insurance Agent

Business owners should consider hiring an insurance specialist to arrange:

- Business liability insurance (such as slip and fall)
- Professional liability insurance
- Personal life and disability insurance
- Partner insurance (to buy out your partner's family)
- Vehicle insurance
- Property insurance



## Choosing a Banker

A banking professional will:

- Advise on business banking efficiencies
- Supply banking services (business account, payments, transfers)
- Arrange credit facilities
- Handle investments
- Recommend strategies to create positive cash flow

**Interview, select and list your advisors:**

Lawyer	
Accountant	
Insurance Agent	
Banker	
Other advisors	

## STEP 7: Raising start-up funds

Investigate all of your financing options before deciding which one suits your needs. You may decide to use a combination of financial sources to raise the money to launch your business.

### Bootstrap Start-up Tips

1. Buy second hand equipment.
2. If you don't need something, don't buy it right away.
3. Take advantage of experts advice offered for free.
4. Start off working from home if possible. Move to a leased office when you can afford it.
5. Use part-time employees or university interns.
6. Use publicity and word-of-mouth instead of advertising to promote your business.

Learn more about cash flow with the Scotia Cash Flow *for business* Tool.

Visit: [www.scotiabank.com/cashflowtool](http://www.scotiabank.com/cashflowtool)

## STEP 8: Recruit your team

### Tips for Hiring Employees

- Draw up an organizational chart with every job description in your business so that you can identify gaps in your team.
- List the duties of every position. As your business grows, this could eventually develop into a full operations manual for each function in your business.
- Advertise for people or ask colleagues if they can recommend somebody for a position.
- Interview employees using appropriate questions. You may also choose to hire a recruitment agency to assist you.
- Give employees a Contract of Employment, a Grievance Procedure, a Disciplinary Procedure and let them know what is expected of them. You may also ask them to sign a Non-Disclosure Agreement or a Non-Compete Agreement.
- Develop a solid Orientation Program to train your new employee. They are a valuable investment!
- Train employees regularly. Studies have shown that well-trained employees are more motivated and productive.

### Tips for Hiring Suppliers

- As a business owner, you need to choose your suppliers carefully as you will rely on them to get your product or service out to your customers.

#### Types of suppliers

- Graphic designer to design your logo and business cards
- Website designer
- Writer to prepare promotional copy
- Internet service provider
- Printer
- Bookkeeper (or Accountant)
- Computer technician
- For retailers, a variety of vendors

#### Checklist for suppliers

- **Price reduction** – most companies will not offer you a discount unless you ask for it.
- **Payment terms** – ask for generous payment terms of 60 or 90 days to help ease cash flow.
- **Early payment discount** – will your supplier reduce your bill by 2 percent if you pay within 15 days?
- **Credit account** – will your supplier extend you credit, or must you pay by cash?
- **Product quality** – test the quality of the products offered by your supplier; or if you are in the service business, test their systems to ensure they perform as promised.
- **Delivery time** – will the supplier be able to deliver your products when you require them? How often does the supplier come to your area? What is the turnaround time for an order?
- **Warranties and guarantees** – what kind of warranties will the supplier offer you on expensive equipment?
- **Reliability** – does the supplier have a reputation for being reliable? Consider a trial purchase arrangement until you are sure. Ask for client references and contact them.

## STEP 9: Get your business up and running

Get organized using this checklist:

Start-up Checklist	Required?	Date Completed
Business registration		
Register for appropriate taxes (GST, HST, PST)		
Register as an employer		
Apply for any special licenses or permits		
Contract of employment for staff		
Contact lawyer about legal agreements (lease, etc.)		
Appoint an accountant		
Select and set up an accounting system		
Meet with banker to open a bank account		
Set up merchant account and get a payment processing machine		
Purchase software and get computer system installed		
Contact insurance broker – liability, premises and vehicle		
Design website, business cards, letterhead & brochures		
Set up a workstation at home or within rented office space		
Select suppliers		
Set up communications, including phones and internet		
Connect electricity, heat and other utilities		
Complete Business Plan		
Set Action Plan for first 90 days		

## Choosing your business structure: Sole Proprietorship, Partnership or Corporation?

One of the decisions you will need to make is what type of ownership is suitable for your business venture. The form of ownership you select will depend on your future plans. The majority of small businesses start out as sole proprietors, but this may not be suitable for you. The structure you choose all depends on the nature of your business. Consult a lawyer and accountant for advice.

### Sole Proprietorship

To register your sole proprietorship, visit [www.canadabusiness.ca](http://www.canadabusiness.ca)

#### Advantages:

- ▶ It is simple to start-up
- ▶ Profits earned through the business are for the sole proprietor
- ▶ The owner can operate the business as she/he sees fit
- ▶ Once you have registered your name and obtained a business license, you are a legal entity and able to operate your business
- ▶ The termination of the business is simple

#### Disadvantages:

- ▶ There is potentially no limit to your liability, leaving you at risk for being sued for the debts of your business – most of your personal assets can be sold off to repay business debts
- ▶ Your name is not protected
- ▶ The business terminates on the death of the owner
- ▶ Financing for the business will depend on your personal assets and credit history
- ▶ You are taxed as an individual; so the more your business earns, the more tax you will pay
- ▶ You work primarily alone

## Partnership

To register your partnership, visit [www.canadabusiness.ca](http://www.canadabusiness.ca)

### Advantages:

- ▶ Partnerships are easy and inexpensive to set up
- ▶ The partners can operate the business as they see fit
- ▶ The owners could have complementary skills. One partner can be responsible for finance and administration and the other for marketing and sales.
- ▶ You can share the financial burden of starting up a business
- ▶ The termination of the business is simple: pay your bills and close the business

### Disadvantages:

- ▶ A partnership is automatically dissolved if a partner leaves or a new partner joins
- ▶ The partners are jointly and severally liable for the business debts in case of bankruptcy
- ▶ Arranging finance depends on the security offered by the partners
- ▶ There will often be disputes between partners
- ▶ There is no continuity if one partner dies
- ▶ Both partners are taxed as individuals on their share of the profits – the more your business earns, the more tax you pay

## Corporation

To register your corporation, visit [www.canadabusiness.ca](http://www.canadabusiness.ca)

### Advantages:

- ▶ A corporation is a separate legal entity
- ▶ The liability of shareholders is limited
- ▶ New shareholders can be introduced
- ▶ There can be continuity of family control – family members can inherit shares
- ▶ A corporation is a separate entity for tax purposes

### Disadvantages:

- ▶ Increased legal requirements and higher accounting costs
- ▶ You will be required to keep payroll records for your staff and yourself
- ▶ Taxation for a corporation usually requires professional advice
- ▶ The law requires a greater disclosure of financial affairs of the corporation

## Marketing Your Business

Once you are up and running, spend some of your time marketing and selling to help your business grow and flourish.

### Key Marketing Tips

- Ensure that you develop a marketing plan for your business
- Ensure you have a logo designed
- Network regularly
- Build communities using social media
- Develop great marketing materials
- Use the telephone as a marketing tool to set up appointments
- Develop a great website that projects your image
- Develop a newsletter that you can send to your clients
- Write columns for your local newspaper
- Get out and sell every day

### Low Cost Marketing Tools

Small businesses don't have large budgets to spend on marketing so they have to be innovative and make sure that they get the basics right. Here are 11 initiatives that should be a part of your ongoing marketing activities.

#### 1 Develop your difference

You need to look at your business and find something you will do...

- ▶ Faster: "Same-day delivery."
- ▶ Better: "Made with solid oak."
- ▶ Differently: "Money-back guarantee."

Customers have options. You need to make sure you give them a good reason to buy from you!

#### 2 Networking

To increase your contacts, join your local Chamber of Commerce, Board of Trade, small business network groups, Toastmasters, Rotary Club or other organizations. Make networking part of your work week.

- ▶ Prepare your 30-second introduction for use at networking functions. Present the benefits of doing business with you:  
*"We groom dogs and cats using all natural organic products so your pet's skin doesn't get irritated."*
- ▶ Effective networking means listening more than talking.

### 3 Database marketing

Start a database of prospects and market to them through e-newsletters, invitations, phone calls or mailers. Once they become customers, start a separate database and stay in constant contact with people. As a rule of thumb, it is always less expensive to make sales to existing customers than it is to attract new ones.

### 4 Word-of-mouth advertising

Encouraging people to talk about your business is a very effective and inexpensive way to improve your sales. Here's how you can generate word-of-mouth:

- ▶ Ask your customers to recommend your business to others
- ▶ Deliver a quality product or service
- ▶ Charge reasonable prices
- ▶ Show up on time
- ▶ Do what you say you will do
- ▶ Treat customers with respect

### 5 Flyers and brochures

- Hire a graphic designer to produce a good brochure or flyer. Mail it to your prospects or distribute it face to face at functions, shows and events.
- Include information about your business, products and services. Focus on benefits.
- Include a strong call to action: "New customers save 20%."
- Include some of these words known to catch a reader's attention:

You	Money	Proven
Guarantee	Free	Fun
Yes	Easy	New
Fast	Results	Save
How to	Solution	

### 6 Newsletters

- Keep your customers informed of new products or developments in your business
- Ensure that the information in your newsletter is useful
- Distribute newsletters regularly, such as monthly
- Consider sending newsletters via email

### 7 Media publicity

- Use every opportunity possible to get free publicity in regional and local media outlets
- Write a media release presenting some news about your business. Focus on something unique about you.
- Fax or email to your media database (look up media contacts on the Internet)
- Follow up with each media outlet to assess their interest in doing a story about your business

## **8 Email, Internet and Social**

A basic website can serve as your online brochure and people today expect your business to have an online presence.

- Hire a web designer to prepare your site. Be sure to set a budget and production schedule.
- Register a memorable domain name (ideally less than 10 characters)
- Include multiple ways to reach your business using links, phone numbers and question forms
- Decide how you want to use your website: to sell, to promote or to supply detailed information
- Make every email work for you by adding a signature line with a sales message
- Develop a social media presence to reach customers for your business. This could include LinkedIn, Facebook, Twitter, Pinterest, Instagram etc.
- Hire social media manager to help with planning and execution especially if this is out of your comfort zone

## **9 Trade shows**

If planned for properly, trade shows can be very effective to generate prospect leads because you meet so many people.

- Ensure that you attend the right shows
- Invest in a decent booth display
- Train your staff with sales scripts
- Capture contact information from interested prospects
- Be sure to follow up on each lead after the show

## **10 Free seminars**

Whether you decide to speak or end up hiring a speaker, free seminars will give your prospects some valuable advice before they buy and help to establish your credibility. Create a topic of interest to your customers, arrange a venue, produce a flyer and invite your contacts.

## **11 Cross-promotions**

Work with other businesses that serve your target audience but don't compete with you. For example, a business that sells ink cartridges might team up with one that sells printers. Offer incentives for their customers to try your business product or service, and vice-versa.

### **Marketing Rules:**

- Marketing should be ongoing...not something you do once in a while
- Repetition is important when marketing your business
- Build a memorable brand for your business
- Monitor your competitors
- Work with existing customers to build new sales



# STEP 10: Develop a personal plan

## Time Management

You know you have a time management problem when:

- You are often late or forget meetings and appointments
- You are consistently behind in your responsibilities
- You don't have enough time to eat, sleep and spend time with your family
- You are always working, but still not meeting deadlines
- You are mentally and physically tired
- You are permanently stressed

To better manage your time:

- Learn to say NO when necessary – your work will suffer by taking on too much, creating a poor customer experience
- Develop daily and weekly to do lists
- Plan your days and weeks
- Avoid procrastination
- Allocate time to do important tasks daily in your business
- Help your employees to manage their time by teaching them how to prioritize and become better planners

Prioritize your daily tasks as follows:

<b>Date</b>	✓
<b>Must be done today</b>	
1.	
2.	
3.	
4.	
5.	
<b>Should be done today</b>	
1.	
2.	
3.	
4.	
5.	
<b>Would be nice to do today</b>	
1.	
2.	
3.	
4.	
5.	

## Manage Your Stress

Many small businesses fail due to owner burnout. Long hours, tight deadlines, many responsibilities and tight cash flow can frazzle the most committed entrepreneur. That's why it's important to step away from your business now and then to refresh and re-energize.

Make a list of activities you'll do every week for your body, mind and spirit.

Example: Work out at the gym	Day
1.	
2.	
3.	
4.	
5.	

## Take Training

While running your small business plan to invest in new skills regularly by attending seminars, taking courses, reading books and learning from other entrepreneurs.

- Get helpful information about building your business at [www.getgrowingforbusiness.com](http://www.getgrowingforbusiness.com). Access free tools, read insightful articles and watch informative videos.



Visit [www.scotiabank.com/smallbusiness](http://www.scotiabank.com/smallbusiness)