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MAGAZINE**

Want your own business? Really?



Illustration by Anna Parini / Financial Post Magazine

[Christine Dobby](#) Oct 4, 2011 – 7:05 AM ET | Last Updated: Oct 4, 2011 11:20 AM ET

The survival rate for start-up businesses can look dismal. About 70% of small businesses last five years, but just 36% of enterprises with revenues under \$30,000 are still standing after that same time, according to Statistics Canada. "It's challenging to be a small business," says Brad Cherniak, co-founder of Sapien Capital Partners, a Toronto-based advisory firm for small and medium-sized businesses.

"Competition is brutal. Technology is changing the way everything is done. And small businesses have that added layer of not having the size to survive mistakes."

Yet the dream of being the boss, earning a fortune and making a mark continues to tempt would-be Stronachs, Westons and Bombardiers into the entrepreneur game. There were 2.7 million self-employed people in the country in 2010, Statistics Canada reports, and their numbers grew by 6.8% between 2006 and 2010, while the labour force as a whole increased by 5.8%. And small businesses employed another five million people.

But, let's face it, the vast majority of those entrepreneurs aren't going to turn their businesses into the next Research In Motion. Uh, maybe that's a bad example right now, but few are ever going to be more than one- or two-person shops offering a necessary albeit localized service. Even those with a really good big idea have their work cut out for them. To make it big, personality can be more important than coming up with the next great invention — and it doesn't hurt to be at least a little crazy.

"There's almost a theological debate out there over whether to invest in management or a good idea," Cherniak says. "I tend toward the camp that I'd rather have an entrepreneur with the right characteristics than the best business idea in the world."

Execution is 90% of the game, no question." Cherniak's developed a list that details the attributes of the most successful entrepreneurs he's encountered in his 20 years working in the banking and venture-capital industries. Using a hockey analogy, something he does often while speaking of enterprising business people, he says the most important characteristic is not getting knocked off the puck easily. "They have the ability to be good listeners, but they know when to stop listening," Cherniak says. In other words, good business owners seek input and guidance, but don't get distracted by every passing theory or fad. "They're not prone to new paradigm fever nor do they constantly seek out people's advice without stopping."

Of course, advice, wanted and unwanted, is never in short supply: family, friends, co-workers, as well as all manner of organizations fostering entrepreneurship are available to help aspiring moguls. Vancouver's GrowLab, launched in May, is one of the latest. It's an accelerator that provides seed funding and office space to start-ups it deems worthy. It operates four-month terms for five companies at a time before sending the progeny to San Francisco to pitch investors and try to secure further funding.

Boris Wertz, a Canadian angel investor and former chief operating officer of AbeBooks (which Amazon.com Inc. acquired in 2008), is one of GrowLab's co-founders. Like Cherniak, he says the truly successful know how to absorb the right information and then get on with it. "Real entrepreneurs are doers," he says.

“Certainly, they think of strategy and business plans and that kind of stuff. But in the end they don’t wait too long and think it back and forth and get more advice here and there. They just do it — they go out there and they do it.”

Chris Nguyen, co-founder of TeamSave LLC, a group-buying website that has expanded from three to 20 cities in seven months, also subscribes to the just-do-it philosophy.

The daily deal site is his second business venture. His first was a location-based job advertising website he and three friends started while taking I.T. and business courses at Ryerson University. “The thing a lot of entrepreneurs don’t understand is execution. Everyone has amazing ideas, but not many people act upon them. One of the advantages we had was we executed pretty well,” Nguyen says.

Holding your breath and jumping into the deep end, though, takes guts. “With the really successful ones, it’s almost a recklessness,” Cherniak says. “It’s something as simple as putting payroll on Visa or mortgaging their house. They don’t have a line between themselves and their company. They tend to be personally fearless.”

But Brett Wilson, known for his stint on CBC’s Dragon’s Den and co-founding Calgary-based investment dealer FirstEnergy Capital Corp., cautions that just taking a blind charge forward isn’t going to work either.

The process, he says, is more subtle. “A lot of people think entrepreneurs are risk-takers at heart, and I would suggest that entrepreneurs view risk very differently,” he says. “They don’t chase risk like a gambler who’s addicted to rolling the dice and getting the thrill of seeing whether or not they can win. That’s not how entrepreneurs approach life. It’s a calculated risk.”

Taking chances to pursue a business may also be easier for those who are younger and less established, according to Michael Tippett, executive director of GrowLab. More established entrepreneurs sometimes have more resources at hand, but they also have more to lose. “Often the profile of a good entrepreneur is almost the profile of a good rock band: It’s a bunch of young people who want to make beautiful things.

There’s a kind of passion and a desire and a drive to do something; you feel like you almost have no choice. And as you get older and more moderate, you sometimes lose that elusive instinct.”

Wilson, who made more than 60 deals during his three seasons on Dragon’s Den and closed 30 of them, says he uses his own gut instinct to guide his investment decisions, a quality successful entrepreneurs also must have. “They are people who understand that a gut-based decision is as important as a head-based decision,” he says. “And they also have to be prepared to take the heart-based decision out of the equation, because sometimes the heart is too emotional.”

And the head? Well, it sometimes gets in the way too. "It's the entrepreneur who isn't afraid of either failure or making a mistake that is generally able to move forward," Wilson says. "If you think every step has to be perfect, then you're likely to do nothing."

Cherniak calls it "horse sense." It's not something one can train for, but it's not dependent on intelligence in the Mensa sense either. "There is so much data in the world and so many opinions and experts out there," he says, noting that successful business people can cut through it all. "They're quick studies... They have this innate ability to filter out BS and correct errors quickly."

But even if you have it all — the perfect blend of brains, persistence, fearlessness and a good idea to top it off — success still isn't likely to come easily. Funding, for example, is something you can sometimes scrape by without a lot of at the beginning, but money can't be ignored forever. "As the company grows, it often needs more working capital and it sometimes has to turn to outsiders for partnership and capital," Wilson says. His standard line is that most good deals get financed.

That may be the case, but Wertz says seeking funding is something entrepreneurs, too absorbed in running their business, actually often overlook. "Sometimes if you're a doer, you want to get stuff done and you don't think about how to take a business to the next level," he says. "You do it all yourself and you forget about hiring people and delegating, you bootstrap and forget about raising money to accelerate."

Wertz notes that it's easy enough to go into business these days because the low barriers to entry afforded by the web mean you no longer have to raise millions of dollars just to get into the game, but that's not the end of the story. "The problem is these very young entrepreneurs often come straight out of university and they are often tech-focused so they don't have a business background," he says. "In the end, they don't really have the experience of how to build up a company, how to take a product into a company that generates revenue."

Governments can help to a certain extent, and they're often falling over themselves to be seen as implementing policies and programs for entrepreneurs because everyone believes small and mid-sized businesses are the next great employers and economic engines. But some of the very programs intended to foster entrepreneurship can also hold them back, Cherniak says, because they create complexity in return for very little. "Small business would be better served by just being left alone," he says.

"They should get preferred tax rates and tax credits, but governments are trying to micromanage businesses."

Cherniak believes tax-credit initiatives, such as the federal government's Scientific Research and Experimental Development program, are "turning companies into pretzels" because they try to meet the detailed requirements for funding. "There are way too many hands on the small-business world."

If it all sounds like you need to be a little crazy to try to start a new business, you're probably right. Tippet, who calls himself "proudly crazy" after a 20-year career involving many different business ventures, says some people even go into business in areas they know little to nothing about, taking a chance that they're

going to learn enough along the way. It's a risk, but Tippet says there's never been a better time to be an entrepreneur than now.

"I've been in this game for 20 years, and if I had the kind of advantages that today's entrepreneurs have such as GrowLab and other accelerators, it would be a whole different story," he says. "The low cost of entry to starting what could be a world-changing business has never been more attractive. Whatever challenges there have been in the past are markedly less than they were even just a couple of years ago."

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