

# Starting your own private business

Practical tips for  
young entrepreneurs



Building a better  
working world



Young entrepreneurs face a number of challenges when setting out on their journey, from how to compete in the marketplace to where to find startup funds. The first step, coming up with your first invention or new private business idea, is perhaps the easiest. The hard part is setting yourself up for success. In other words: so, you've found your first private business—now what?

EY's Starting your own private business; practical tips for young entrepreneurs is designed to help you consider some of the private business, tax and accounting aspects that you may encounter starting out as a young entrepreneur in Canada.

# Know your passion

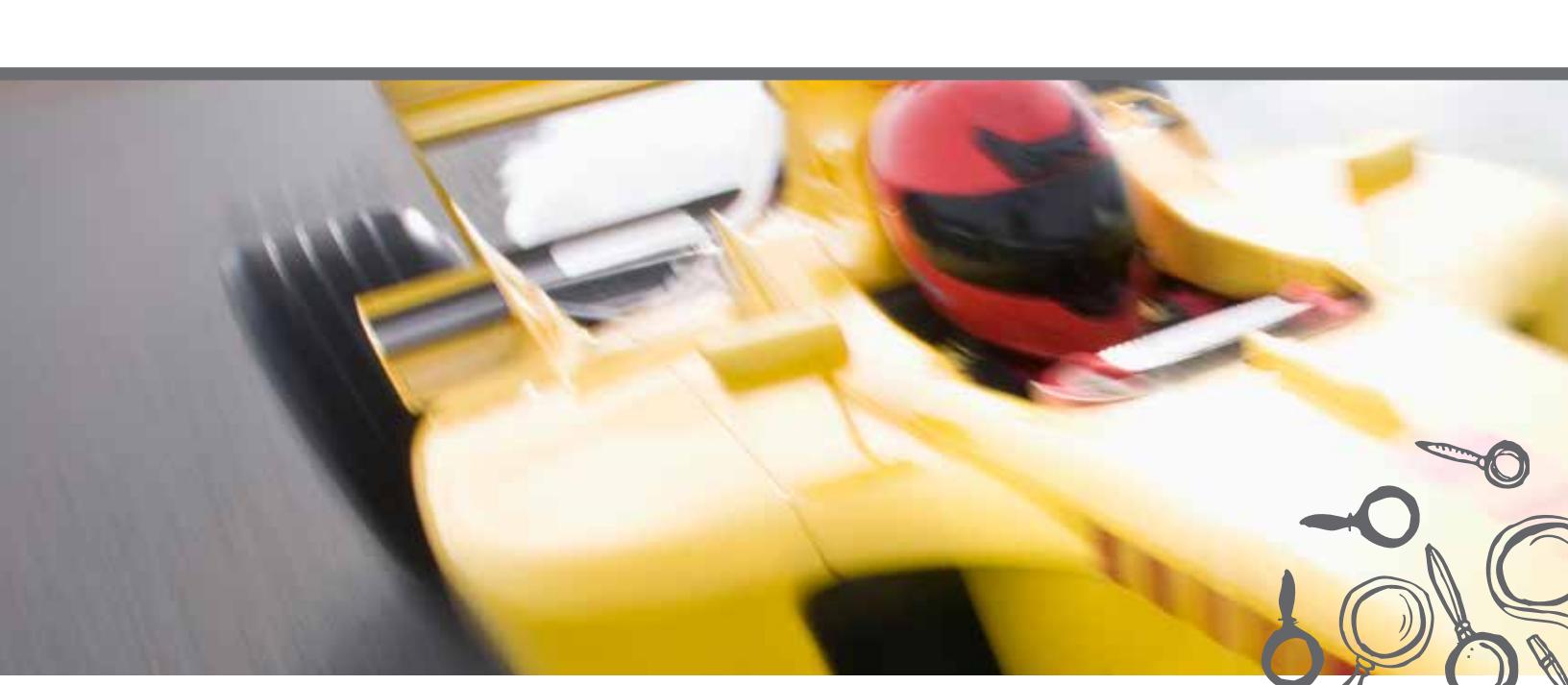
Starting your own private business is similar to starting a family. The amount of time, dedication and financial investment required to start a successful company is immense. Make sure that you have a strong love and passion for the business you are starting and that your commitment to the business is something that you are willing to support and grow over the long haul.

Do your research to make sure that you have all of the current insights and advice on what to expect from the type of business that you are pursuing.

**Some great places to find information on your type of business and industry include;**

- ✓ Free or low-cost business startup workshops
- ✓ Local area seminars
- ✓ Online courses
- ✓ Small business centres
- ✓ Canadian universities and colleges
- ✓ Trade shows
- ✓ Industry research
- ✓ Social media

It's inevitable that you are going to come across skeptics - be proud of your idea, innovation, or business and be ready to showcase what you've done to get this far and what your plans are for the next step.



## Keep the competition close

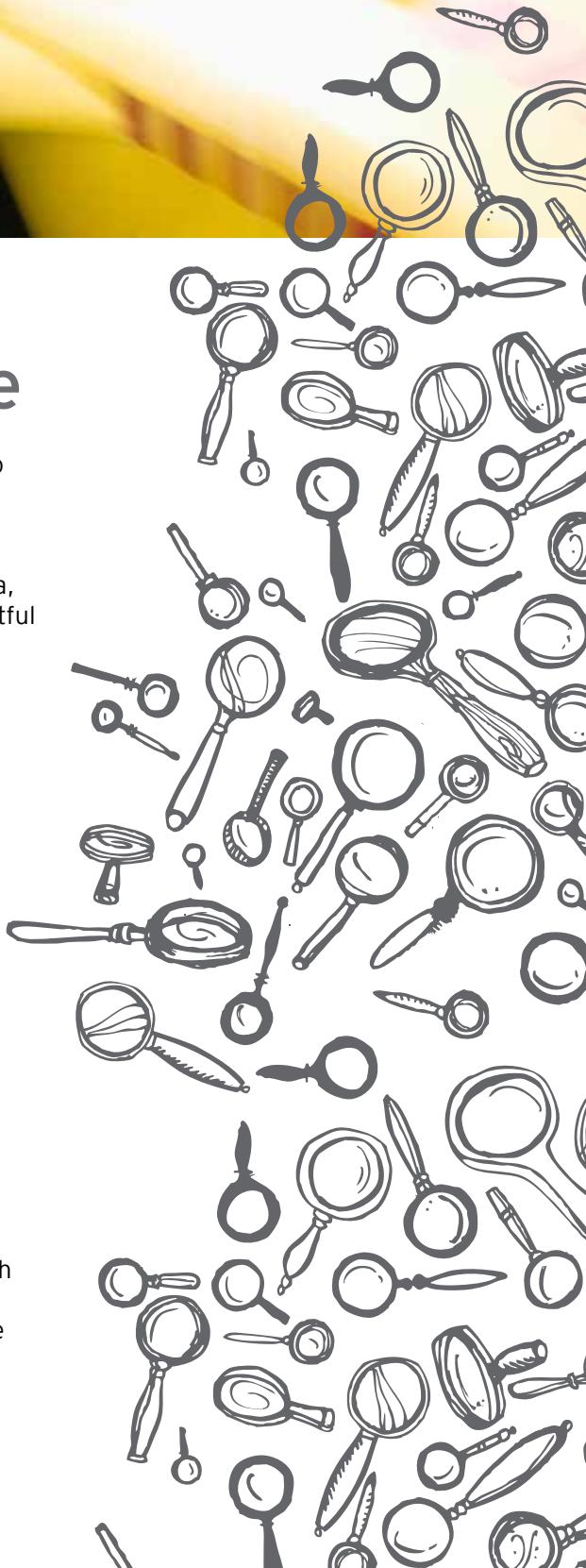
Once you have committed to your new private business idea, you will need to understand who you are competing with. Competitors are not your enemy. Learning more about your competitors can be a great way to learn what has worked for their private business, as well as what you should avoid for your business. There is plenty of opportunity for new private companies in Canada, so keep focus on improving your product or service to compete for your rightful spot in the marketplace.

**Some great ways to find information on your competitors include;**



- Online industry research (check out who are the top performers in your industry)
- Research online reviews for competitors by product or type of service
- Understand how your competitors fit into the global marketplace
- Search for press releases and media from competitors to learn more about what is happening in the space

Formal or informal market research is a great way to evolve your product or service idea. Use tools at your disposal such as Facebook and Twitter to reach out to your existing and target customer base to understand how people view your industry, product or service. You will also want to know if there are changes your customer base may want, so you can implement them in your next product innovation.





# Plan for success

Having a written business plan is a key element to success. A solid business plan sets out your future goals and what steps you're going to take to get there. You'll need to be able to articulate this plan to investors, vendors and distributors in order to be taken seriously.

**Some examples of content to include in your business plan include;**

**Executive summary** - a short, concise summary of your private business idea and value proposition. If you are sending your plan to investors, include the amount of money you need and how you plan to use it.

**Solid financial projections** - this is the nuts and bolts of what investors are looking for. It will need to include a detailed description of all revenue streams and the company's cost structure. Don't be afraid to seek out professional advice when compiling your financial projections!

**Showcase your team** - now is the time to show a potential investor the winning team you have compiled that can successfully execute on your private business idea. Be sure to list qualifications, accomplishments and links to resumes and profiles of key team members that will be actively involved the business.

**Go-to market strategy** - what is the current market landscape, and what is your plan to obtain market share in your industry?



## Find a mentor

Young entrepreneurs should have a mentor to guide them along in their private business journey. A mentor is a valuable resource, because an experienced professional can help guide you through some of the pitfalls that may occur when starting a new business. This can help you avoid making crucial early mistakes with your business that can often lead to financial hardships.

### Some places you can look to find an experienced mentor may include;

- ▶ Introductions from family and friends to potential mentors
- ▶ Professional online networks
- ▶ Industry boards or associations
- ▶ College or university professors
- ▶ Other local entrepreneurs
- ▶ Local community small business centres
- ▶ Word of mouth - talk to everyone you know and see who they may know!



# Government incentives

The Federal and Provincial governments have many programs specifically designed to assist young entrepreneurs in the startup phase of their private business. It's beneficial to research what incentive programs your business may qualify for and be sure to consider key dates and timelines that may be associated with those programs. There are a significant number of government funding programs that are not exclusively directed to young entrepreneurs, however, young entrepreneurs may still qualify for these programs.

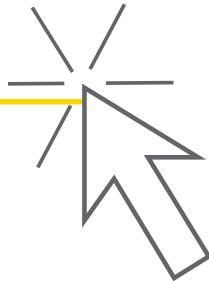
The application process for government programs can appear to be a lengthy and time consuming process. Keep in mind there are professional firms that can help you with the loan application process for a success-based fee that will save you time, increase your chances of getting funding and help you access additional funding programs that may not be directed solely towards young entrepreneurs but may be available to you based on the type of business and industry you're in.



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Some great Canadian government programs to look into include;

- ▶ The Canada Small Business Financing Program
  - ▶ Futurpreneur Canada
  - ▶ Also check with your provincial government to determine what programs they may have available to young entrepreneurs
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# Financing your venture

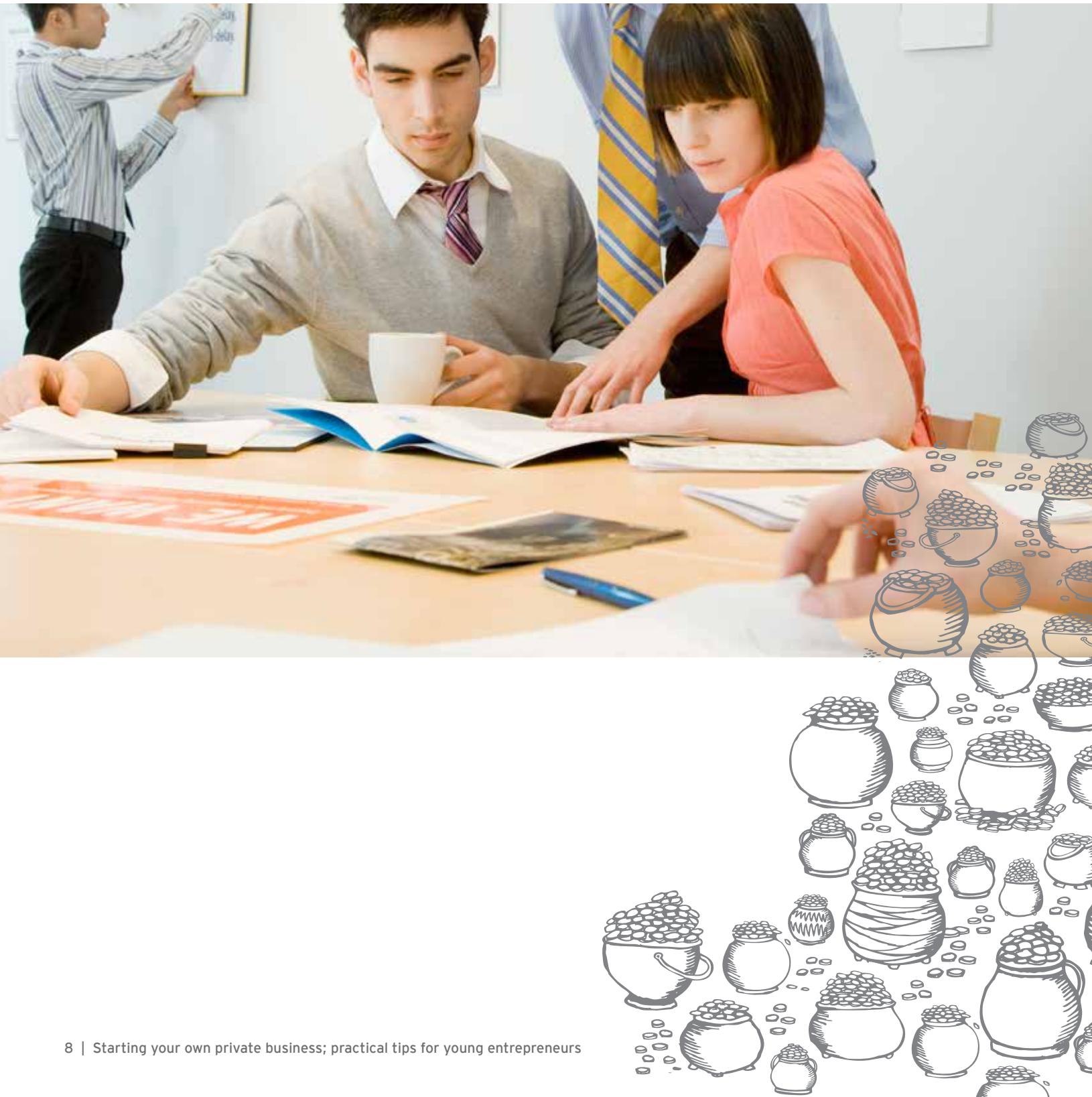
Securing financing to help you start your business off on the right foot can be a challenging and frustrating process for new private business owners. But there are avenues to help you overcome this hurdle. The great news is there are many available resources that you can investigate to help you get started. Securing capital may be the first hurdle you encounter, but it won't be the last in your business endeavour.



Look to the following resources to help you with securing startup capital;

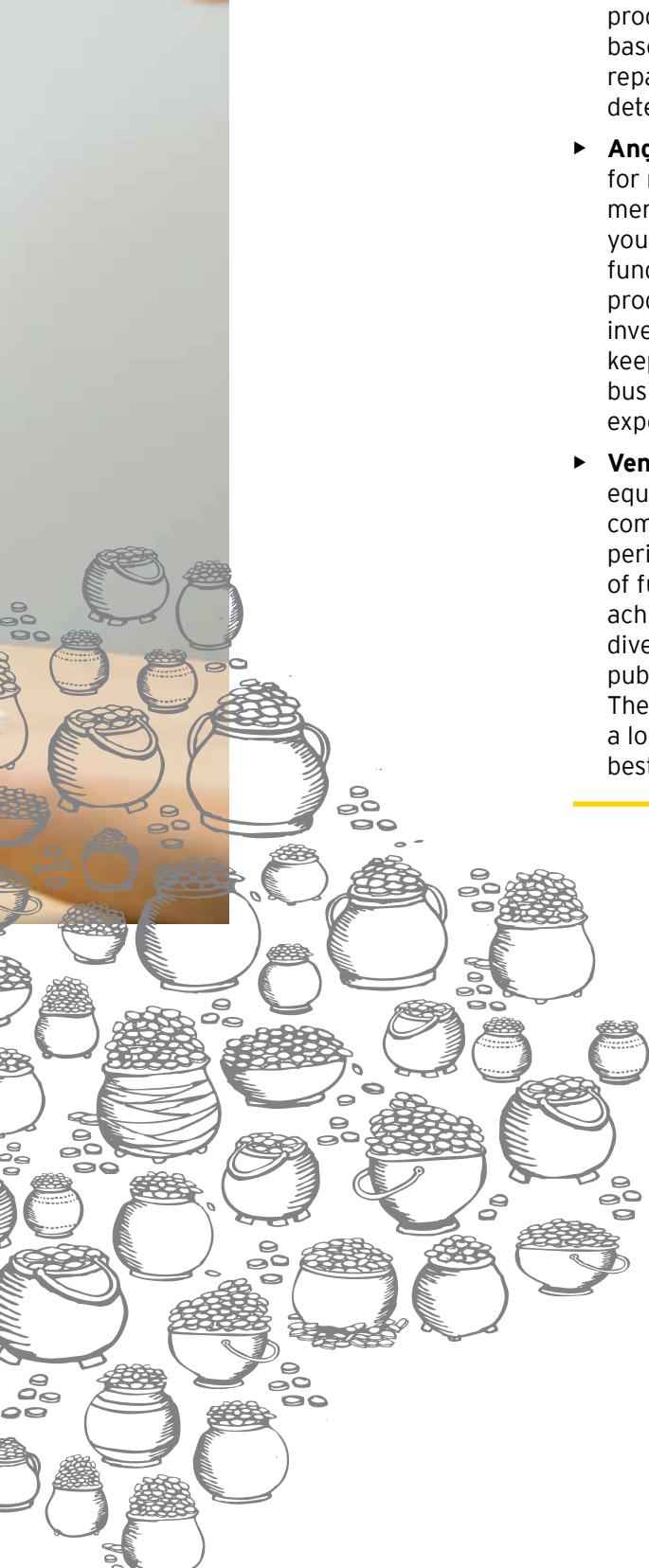
- ▶ **Government grants and loans** - take advantage of the many options available to young Canadian entrepreneurs that can provide you with early start-up capital. There are professional firms that can help you with the application process for a success-based fee that will save you time, increase your chances of getting funding and help you access additional funding programs that may not be directed solely towards young entrepreneurs but may be available to you based on your industry or type of business.
- ▶ **Family and friends** - sometimes the people closest to you, who see your passion for the business, are willing to invest in the company's future.
- ▶ **Bank loans** - while bank loans have typically been considered the most traditional form of financing for new startups, they can be challenging for young entrepreneurs to obtain due to their limited business and industry experience, limited credit history and limited equity in the business. However, many banks are willing to invest in young entrepreneurs, provided you have a solid business plan that addresses these concerns and demonstrates that you have a well-thought-out plan to overcome these obstacles.

## Financing your venture (cont'd)





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- ▶ **Crowd funding** - “crowd funding” has become a popular financing option for private startups. The practice of funding a venture by raising monetary contributions from a large number of people, typically via the internet, has increased due to the number of websites that provide crowd funding opportunities. There are several different types of crowd funding: reward-based (pre-sell a product or service), equity-based (sell unlisted shares) and credit-based (borrow amounts that are subject to interest and principal repayments). You should work with your business advisors to determine which option may be best for your company.
  - ▶ **Angel investors** - angel investors can be another good source for not only getting funding for your private business, but gaining mentors and industry experts that are willing to guide you along your business journey. They might be more willing to provide funding to your business because they have an interest in your product or service that goes beyond a simple return on their investment. If you’re considering this source as a financing option, keep in mind that angel investing firms can require equity in your business and you may be required to take on partners who could expect to play an active role in management of the business.
  - ▶ **Venture capitalists** - venture capital firms typically require an equity interest in exchange for an initial investment in startup companies that are expected to achieve high-growth in a short period of time. This source of financing can provide large amount of funding to startups that need significant capital investment to achieve their high growth potential. Most venture capital firms divest their interest after a three- to seven-year period through a public offering or through sale of the business to another investor. Therefore, if retaining complete ownership of your business for a long period of time is important to you, this may not be the best option.
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# Plan for growth

For many entrepreneurs, growth is the key to opportunity and success. While many new private business owners enjoy the hands-on approach to managing a business, sometimes planning for growth needs to incorporate a team approach.

**Some strategies for you to consider when planning for growth include;**



Consider hiring a management team to take some burden off your shoulders and to give you sufficient time to continue to grow your business.



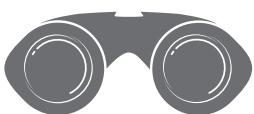
Involve your management team to help grow the company by including them in strategic initiatives such as product development, marketing, financing, IT, as it can help generate fresh new ideas.



## Plan for growth (cont'd)



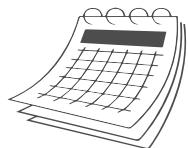
Analyze your initial business plan with your management team members to determine what has worked well so far and what has not. Have you implemented all of the ideas that you had in your initial business plan? Are there strategies that you haven't implemented and can you implement these strategies now? Did you initially face certain barriers (i.e. lack of technology or financing) that no longer exist and therefore are there ideas that you couldn't implement previously, but can be implemented now? Consider all items in your business plan - marketing/advertising/financing/IT and update or develop a new business plan that has a focus towards the growth of your business.



Continuously keep an eye on your industry and competition to ensure that you stay ahead or at least don't fall behind in products or services that they may be providing. Consider if there is a different method or way to provide similar services to give you a competitive advantage and look at trends in your market.



Initiate regular brainstorming sessions to determine fresh and new ideas with your team members to improve the current product or service, or look to offer new products or services.



Review current internal processes and determine if they can be modified to reduce time and costs, which can help to free up your team members to take on more growth oriented tasks such as research and product development.



Be sure to actively involve your business advisors in your growth plan. They will help you identify and address any business, legal, tax or regulatory risks that your business could face.



A close-up photograph of a young man with short brown hair, wearing a red button-down shirt. He is looking down at a silver laptop keyboard with a thoughtful expression. A pair of glasses hangs from his neck by a cord. The background is blurred, showing what appears to be a modern office or study room.

## Work with the right professionals

Having the appropriate support system in place when starting out is critical to the success of your private business. You will need to actively engage with the right professionals who can act as your key advisors to support you through every stage of your business.



Some individuals that you should consider to include in your professional network are;

- ▶ **Lawyers** - they are essential to help you ensure that you have appropriate permits, licences, approvals and certificates from federal, provincial, local, municipal and foreign governmental, administrative and regulatory authorities. They will ensure that you have appropriate copyrights, trademarks and employment contracts in place to ensure that your product or service is appropriately protected from any current or future competitors.
- ▶ **External accountants/auditors/advisory professionals** - this support group brings extensive market experience that a young entrepreneur may lack. They can play a key role as an advisor to your private company to help navigate through complex business issues. They can provide guidance around raising capital, and can help you deal with compliance issues such as income tax, sales taxes and payroll requirements that can be complex, especially if your business operates across provincial and federal borders.
- ▶ **Bankers** - a trusted banker can provide you with an inside look into how bank's operate and the typical factors that banks consider when lending money to start-up companies. This can assist you in the early stages to decide if getting a bank loan is the right option for you or if you should consider alternative sources for raising initial funds. If a bank loan is a good option for your private business, you can benefit from their advice to ensure your business plan addresses factors used by banks when making loan decisions. This may increase your chances of getting that initial bank loan to get your business off the ground.

Every entrepreneurial journey is unique, and represents the dedication, sweat, and tears that ultimately lead to success. Remember, your entrepreneurial journey will be a unique experience and you don't have to go at it alone. Maintaining a strong focus on your private company's vision, along with surrounding yourself with a dedicated support team, will help you achieve your goals and plan for success into the future.





## We can help you

We support the entire lifecycle of a private business. No two companies are the same, nor do they take the same path. However, having a practice focused solely on private companies, we've learned that there are many common challenges private businesses face on their road to growth and profitability. Throughout each phase of your new business, we'll support you with our experience and advice.

Please learn more by visiting us at [ey.com/ca/pmm](http://ey.com/ca/pmm) and contact us at [privatecompanyinfo@ca.ey.com](mailto:privatecompanyinfo@ca.ey.com).

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