



**QUESTION 11:  
WHO WILL MANAGE  
AND DELIVER YOUR  
EXPERIENCES?**

## QUESTION 11: Who will manage and deliver your experiences?

### Considering your Human Resource Plan

In this section we will consider all of the staffing needs for your business and look at some best practices for human resources. As your business grows, you will need to plan for the important tasks of recruiting, hiring, training and retaining staff to deliver on your business mission. An important part of growing your business is going to be around building an effective team to meet your business vision and exceed your customers' expectations. Indigenous tourism workers are an essential part of the tourism industry and your business success.

### Indigenous Tourism Labour Market Trends

According to the most recent report by *Tourism HR Canada* [http://tourismhr.ca/wp-content/uploads/Tourism\\_HR\\_Canada\\_Annual\\_Report\\_2017-2018\\_EN\\_Web.pdf](http://tourismhr.ca/wp-content/uploads/Tourism_HR_Canada_Annual_Report_2017-2018_EN_Web.pdf), the Indigenous tourism labour market can be described as:

- In 2011, there were 57,680 Indigenous workers in tourism. By 2016, that number had grown 30.2% to over 75,000 individuals.
- As a percentage of its labour force, accommodations employs the largest share of Indigenous workers (5.6%), followed by recreation and entertainment (4.2%) and food and beverage services (4.1%).
- Specific occupations where Indigenous peoples make up a high percentage of the workforce are as outdoor sport and recreation guides (9.5%) and in casino occupations (8.3%).
- Since 2011, Indigenous peoples have increased their representation within the tourism labour force in every province. Alberta is one of the top three provinces with 8,900 Indigenous tourism workers to date.
- A greater percentage of Indigenous tourism workers are female than in the total tourism workforce: 57.5% compared to 51.1%.
- Indigenous youth between the ages of 15 and 24 make up 38.4% of tourism workers, compared to 30.3% for non-Indigenous youth.

### Human Resources Planning

Some small Indigenous tourism businesses can be successfully started with an owner or a couple of operators as the experience is linked to their personal story and culture. However, tourism businesses will often require additional staff to deliver their experiences (e.g. guides, customer service staff, labour, front desk, housekeeping, managers, etc.). If your tourism business will need employees other than you, you will need to develop a plan to hire, train and retain employees. This task can prove challenging with Indigenous tourism businesses where you often need to find a team with both the required tourism skills plus the cultural knowledge and experience to deliver an authentic experience.



Tourism businesses often have seasonal workforces, meaning their employees are only hired for certain seasons throughout the year (e.g. fishing guides in the summer). Attracting, training and retaining quality employees can be an ongoing challenge for any tourism business and even more challenging in remote locations such as First Nations and Métis settlements with limited labour pools and training.



### **ACTIVITY** How will your business be staffed?

Based on your answers to Activity 14, what operational roles will need to be filled and how many employees (if any) will you need to operate the business? Don't forget to include yourself!

Note: it is a standard of Indigenous tourism for any cultural experience to be developed and delivered by Indigenous people. This may impact your ability to hire front-line staff.

Employee Type	Operational Roles (list main job tasks)	# of Employees
Owner(s)		

## **Employee Type Operational Roles**

*Take the time to plan and manage your human resources. You are about to become an employer and need to familiarize yourself with your new roles and responsibilities.*

**Expanding your business to include outside employees can be a daunting task for business owners. When you hire someone you take on added responsibility. Yet you are also taking an important step in moving beyond being self-employed.**

According to the Canada Revenue Agency these are some basic requirements that employers must follow.

### **Who can hire employees?**

Generally speaking, anyone in Alberta can hire employees. The Canada Revenue Agency (CRA) will generally consider you to be an employer if you pay salaries, wages (including advances), bonuses, vacation pay or tips to your employees; or you provide certain taxable benefits or allowances, such as board and lodging, to your employees.

You do not have to be a registered company, but you will need a registered Business Number (BN) with a payroll deductions account before the employee starts work.

To register for a Business Number and Payroll Deductions account you can call CRA's toll free number 1-800-959-5525 (English) or 1-800-959-7775 (French), complete a Request for a Business Number (RC 1) form to be sent by mail or fax to CRA or register online at [www.businessregistration.gc.ca](http://www.businessregistration.gc.ca) (English) or [www.inscriptionentreprise.gc.ca](http://www.inscriptionentreprise.gc.ca) (French).



Be careful if you plan to hire people on a contract basis to avoid the hassle (and cost) of managing employees. CRA may consider you to be an employer even if you have a written contract that identifies a worker as an independent contractor.

## Preparing to Hire Staff

### Once hired you must:

- get your employee's social insurance number; and
- have the new employee fill out Form TD1, Personal Tax Credits Return



While not required by the government, it is a good idea to put your job offer in writing including salary, job duties, terms of relocation, benefits, work hours, probationary period and the starting date. Your job offer must comply with the employment standards for Alberta.

### Source Deductions

When you actually pay each employee, you are required to withhold what is known as "source deductions", which you then remit to the federal government. As an employer you are responsible for deducting:

- Federal tax
- Canada Pension Plan contributions
- Employment Insurance premiums

*Calculating the amount to be deducted can be done through an accounting software (with a payroll module that will calculate for you) or using a payroll service or materials provided by CRA. You may want to consult an accountant to create and send in your first remittance.*

### Useful Web Resources

CRA Payroll Web pages:

<https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/payroll.html>

CRA Payroll cycle:

<https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/payroll/payroll-overview/employer-responsibilities-payroll-steps.html>

### Your Responsibilities as an Employer

Once your business is ready to hire employees, it will become very important to ensure that you are familiar with your role and responsibilities as an employer to provide a safe and fair work environment.

You can become familiar with your new responsibilities as an employer on:

<https://www.alberta.ca/employment-standards.aspx>

### Some employment standards you should be familiar with before hiring include:

- General and statutory holidays
- Deductions from earnings
- Minimum wage
- Overtime hours and overtime pay
- Vacation and Vacation Pay
- Youth Employment Laws for those under 18
- Sick leave and other leave entitlements

### Make note of employment standards that may affect your staffing plans:

You should also become familiar with your obligations under the *Occupational Health and Safety Act* \*(OHS Act) which ensures that every workspace is healthy and safe. The OHS Act aims to prevent work related injuries, illnesses and fatalities by working with employers and workers.

You can review the OHS Act along with the OHS Explanation Guide to help you understand your legal requirements as an employer at <https://www.alberta.ca/ohs-act-regulation-code.aspx>.

Upon review of the OHS Act, what parts of the act are important to consider in establishing your business: (list pages or sections that you will need to return to when developing operational plans for your business or experience)

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## Recruiting and Hiring Staff

One of the greatest challenges facing Indigenous tourism success in Alberta is the struggle to recruit and hire quality employees. How do you plan to recruit the staff required to operate your business?

The task can be overwhelming, but taking the time to ensure you have a clear plan to recruit and hire your team will help to prevent any greater challenges down the road.

One of the first things you need to do is create both **job postings** and **job descriptions**. You may wonder why you need both. There is a difference because each serves a different purpose for your business.

The main goal of a **job posting** is to market the job and your company to potential candidates – giving them an idea of what it would be like to work for you. The main goal of the **job description** is to set out your expectations around an employees' performance.

### A job posting should have the following components:

1. A posting title – does not need to be the actual job title but words that will attract the people you are looking for
2. A brief summary of 1-3 sentences - outlining what the job is, and the type of applicant you are searching for
3. A list of the responsibilities – giving job seekers an idea of what it would be like to work in that job (does not need to be as detailed as a job description)
4. A list of the qualifications you are looking for – such as the required education, specific skills and number of years of related experience. For Indigenous tourism some of these skills can relate to cultural or traditional knowledge.
5. In today's job market, it is common for potential employees to try and assess if the job and your business are going to be a good fit for them so it is helpful to promote why someone would want to work for your business.
6. Don't forget to tell them how to apply! A call to action, such as a link, email or contact information is important.

### What will your job posting include?

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Before creating your job posting and its description, you may want to review the tourism job profiles on <https://alis.alberta.ca/occinfo/>. Here you can find Alberta's salary information and links to training providers.

## Job Descriptions - Why They Are So Important

The purpose of a job description is to set your expectations around what the employee is supposed to do in a particular role. When you have a solid job description in place, it can also support performance evaluations, and identify ways to support the employee's professional development. You can use the job description to identify the employee's knowledge/experience gap and support them with a plan to fill in that gap. For example, an Indigenous Tour Guide position requires a person to have strong knowledge about a given community as well as public speaking skills. The employee may have excellent knowledge of the community in question but have limited experience in public speaking. This can be an opportunity to use the job description to identify the skill you want to support them in developing his or her public speaking.

### A job description should have the following components:

1. **Appropriate Job Title** – should clearly tell people exactly what the job is
2. **List of Duties** - the detailed list of responsibilities for the job outlining exactly what you expect your employee to do. In small business, it is common for tasks to overlap so carefully consider which duties you expect completed in a typical day
3. **Skills and Competencies** – the traits you expect the person to display to be successful in the position. For example, strong communication skills and cultural knowledge are traits found in an effective Indigenous Tour Guide
4. **Reporting Relationships** – identifying whom your employees report directly to, and what procedures they should follow from calling in sick to dealing with client complaints



If a job description is written properly, it will serve its true purpose of acting as a measuring tool for job performance, and be used in the professional /career development of the employee so that they can grow with your business.

*Using the job posting you created above, add some more details such as the required skills and competencies or provide more details on duties involved doing the job:*

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So far you have looked at identifying what you need from your employees to support your business. Now, comes the task of finding them. There are many ways to share your job postings. Often in our communities, word of mouth and referrals are an important part of the mix but you can also consider online postings, print ads, job fairs, community employment and training agencies, etc.

What channels do you feel would be most effective to promote the job positions for your business?

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## Interviewing Candidates

You have received numerous resumes! Now the task turns to screening your resumes and cover letters to help select and then interview your candidates. If some of your candidates are from outside of your area, you may choose to conduct phone or video interviews. Typically most interviews are held face-to-face with either an individual or a panel/group of people. To conduct an effective interview, it is important to have questions prepared in advance but also be flexible to follow the flow of the candidate's answers. Below, there are some questions you can incorporate that many HR professionals feel can provide a lot of insight into how the candidate may fit your business.

1. **Why do you want to work for our company?** It is one question that every single candidate should have considered if they have taken the time to understand your business and their job role.
2. **Describe a time when you exceeded expectations?** This is the time for them to shine!
3. **Tell me about a time when you made a major mistake? How did you handle it?** This is a Red Flag if they don't own up to a mistake or try to deflect blame. We all make mistakes!
4. **Tell me about a time you went the extra mile!** Remember, we are in tourism and exceeding customer expectations is going to be what sets you and your business apart from your competition.
5. **Where do you see yourself in five years?** For your company to grow and flourish, you will need some employees who see themselves growing and improving along with you over the long term. However, be realistic as well. There are many entry level jobs in tourism that are building blocks for other career paths. These employees can be just as dedicated to your success in the short term.
6. **Describe a time when you dealt with conflict at work.** You are looking for a conflict resolver and in tourism, you need team players who work together to create memorable and harmonious experiences.
7. **Don't forget to add some of your own questions.** Consider specific skills or experience for your position. For example: are you familiar with the history of our community? Do you have any traditional skills and teachings that you are comfortable sharing with tourists?
8. **Always end with - Do you have any questions?** A potential employee who is passionate and committed will have some sincere questions ready for you.



It is important to know what is off limits in your interview questions. You cannot ask personal questions about age, children, marital status or gender. The latter may be the basis for discrimination. See the Alberta Human Rights Commission pre-employment inquiries sheet here <https://www.albertahumanrights.ab.ca/Documents/PreEmplInq.pdf>.



Never skip the step of checking references, and if applicable, background and criminal record checks.

## Retaining Staff

You want your new employees to be invested in their jobs and your business success. The best way to encourage this is to also invest in your employees by communicating clearly, setting expectations and providing feedback and rewards. A little investment of your time could save you a lot of money down the road with possible staff turnover. Turnover is costly for your business given the time and resources taken with recruiting and training new employees.

Salaries in tourism are lower than in other industries such as oil and gas. This is not a perception but a reality. Many employees who are drawn to the tourism industry are interested in other aspects of the job such as:

- An opportunity to share their rich culture with visitors from around the world
- An experience working in some of the most beautiful locations in the world
- A work/life balance that aligns with a tourism lifestyle
- Personally fulfilling work which may include opportunity to work with their community and teach youth about their culture and heritage
- Flexible scheduling that allows them to still travel the Pow Wow Trail
- Employee incentives do not always have to be the traditional benefits



Creating a positive and inclusive workplace culture that fulfills your employees' needs will ensure a lower staff turnover. If you are experiencing turnover, try conducting exit interviews. An exit interview with a departing employee will help you identify areas for improvement in your business.

### Consider some of the key benefits you could offer to attract potential employees?

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Lack of appreciation is the number one reason employees leave jobs. There are diverse tools that can be used to acknowledge and celebrate employees. Many successful, large businesses offer employee recognition programs, but this is something even small or medium businesses can and should offer using some of the methods below:

- *Peer-to-peer recognition* – recognition by a fellow co-worker can be even more impactful than being acknowledged by a boss. Creating a staff shout-out-board, is an easy low-cost way for your employees to recognize work colleagues for their amazing efforts.
- *Recognize the small accomplishments* – don't forget to show appreciation for the day-today contributions: You can give recognition during a team meeting, send a congratulatory email to an employee and the rest of your team or simply walk up to the employee and say, "Thank you" one-on-one!
- *Gift Cards* – a small gift card to a local coffee shop after one of your employees puts in that extra effort during a hard week goes a long way. It doesn't have to be big - a \$10 card can make their day!
- *Plan a company potluck* – a fun way to have your team get to know one another over a meal together!
- *Ask your employees for THEIR input* – what do they want to do? This gives them a level of control and also makes them feel like they are making a true contribution.
- *Employee appreciation program* – a point system rewarding good behaviour that your employees can cash in for small rewards, such as leaving early.

As you can see there are so many different ways to recognize your employees. All you have to do is put your thinking cap on to see what you AND your employees can come up with.

**What could you offer to help provide recognition and incentives for your team?**

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**Performance Reviews**

As an employer you should recognize that both job descriptions and performance reviews are valuable tools not only to their new staff members, but to the company as well. By providing employees with job descriptions, you have given them a detailed description of your expectations. Meeting with an employee regularly to evaluate his or her performance may seem time consuming, but it pales in comparison to starting the recruiting process again, and training a new employee. Ultimately, if you have provided your employee with the expectations of his or her role, and you have given guidance through performance reviews, if it doesn't work out you have supporting documentation of why it was necessary to terminate the employee.

During the performance review, you may have identified areas of improvement for your employee and want to encourage additional training or skill development. You may also want to discuss career advancement. Cross-training is also vital and benefits both the employer and employee. Ongoing training is important as it:

- raises professionalism and improves job performance,
- increases employee job satisfaction and loyalty, and
- reduces the costs of turnover and training.

Almost every position in tourism requires some on-the-job training to deliver your unique experience in the way you want it delivered. Taking care of employees does not end once you have hired someone and delivered an orientation/ on boarding session. An effective job performance review will continue to identify areas of improvement for your team, and identify growth and advancement opportunities that can influence your training plans. Training may be formalized such as arranging for an elder to share teachings on the culture or providing service excellence training but can also include informal coaching and mentoring.

**Outline how you will provide training opportunities for you and your staff? Do you know what skills you are looking for in each position?**

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## HR Programs and Support

There are programs and support resources available to assist you when you hire new employees.

The Government of Alberta has the following programs:

- Indigenous employment training programs that support unemployed or marginally employed Indigenous community members by helping them get the necessary workplace skills and training. It includes *First Nations Training to Employment and Aboriginal Training to Employment programs* which could support some on-the-job training components.
- *The Canada–Alberta Job Grant* is a training program where an employer applies on behalf of their employee for eligible training costs. As an employer, this could help you get the type of training needed for your employees to succeed.
- STEP – the *Summer Temporary Employment Program* provides funding to eligible Alberta employers to hire high school or post-secondary students in summer jobs.
- *Labour Market Information* - This includes industry profiles, job forecasts and trends. Please visit <https://www.alberta.ca/labour-market-information.aspx>

The Government of Canada also has some useful programs and supports to help employers hire and retain employees. Canada Summer Jobs helps employers create summer job opportunities for full-time students 15 to 30 years of age. You can also list all of your available jobs on Jobbank.ca to receive maximum exposure through several job search platforms.



### How can you utilize some of these programs to support your staffing needs?

You do not need to figure this out on your own! Alberta Labour has information to help employers develop their workforce.

Please visit <https://www.alberta.ca/workforce-contacts-employer-resources.aspx>

# SUCCESS STORY

## Grey Eagle Resort and Casino



### **Productive workplace with advancement opportunities**

The Grey Eagle Resort and Casino is owned and operated by the Tsuut'ina First Nation on their land located just outside of Calgary. The impressive complex was created as a source of employment and economic opportunity for the community and they continue to create these opportunities in tourism. Currently almost 10% of the casino's staff represent the community and almost 27% of the employees are Indigenous. Rhonda Whitney, from HR for the Hotel and Conference Centre would like to see that number improve. Some of the key recruitment challenges faced for the available positions within the community include shift work requirements, transportation issues and childcare needs. With a focus on recruitment, Rhonda utilizes all the resources available to her from the Nation. She attends job fairs, works with Employment Resources and even hand picks and encourages community members to pursue the opportunities. The Centre also works with high school students, bringing them on board for entry level positions to encourage their pursuit of future opportunities at Grey Eagle.

However, the Centre's focus is not only on the recruitment – but also on the retention of the employees. It offers competitive wages as well as individual development plans for community employees that helps to identify their future goals and supports their plan to attain them. Training such as telephone etiquette and leadership skills development are offered. If an employee does decide to move on, an exit survey helps Grey Eagle to identify how and why the employee came to that decision and if, as employers, they could have done better to keep the employee satisfied at work. Reviews of Grey Eagle as an employer on popular job site, Indeed.com identified the casino's success in creating a positive work environment with ratings and reviews like the one below:

### **Security Supervisor (Former Employee) Calgary, AB – 10 August 2015**

"The company was amazing! Great people to work with, very resourceful management and opportunities to advance. Whenever there was an adjustment that needed placing my managers were always there to stand with me regarding anything. I recommend checking out the Grey Eagle Casino whether for employment or pleasure."

## Assessing the Risks

Every new tourism business will be faced with risks, such as labour shortages, increased competition, seasonality, etc. Identifying risks early on will allow your business to reduce, prevent, control, eliminate or transfer these risks, which increases your chances of success. Activity 16 below will help you assess the risks your business may face and develop strategies to overcome them.



### ACTIVITY Risk Assessment

Identify risks to your business in the Risk Assessment Table below. For each risk that you identify, estimate the probability of it occurring and describe ways you can reduce the negative impacts should it occur.

Risk Assessment Table		
Potential Risk	Probability (high-medium-low)	Ways to Reduce Impacts
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		

# MILESTONE 12



## MILESTONE

Now that you have thought about how your business is going to operate upon startup, take some time to summarize how this will happen by finishing the following sentences.

**My business' structure will be a...**

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**My business is going to deliver experiences (whom, where, when) ...**

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**My business will need facilities and resources to deliver experiences, including...**

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**My business will need permits/approvals/permissions from...**

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**My business should have the support from the community whose culture is being shared and follow the appropriate cultural protocols including...**

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**My role(s) in the business will be...**

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**My business will need staff to assist with.....**

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**The most important skills I would need in potential staff would include...**

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**The main risks to my business are...**

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**QUESTION 12:  
WHAT IS THE  
OPERATING BUDGET  
OF YOUR BUSINESS?**

## QUESTION 12: What is the operating budget of your business?

In this section, we will examine what the operating budget of your business will be. Having an understanding of the ongoing costs to operate your business, and how much money your business will need to make to cover these costs is crucial to success.



When starting up a new tourism business you will need to have an understanding of the startup costs, operating costs, and how your business is going to pay for these costs. Developing financial projections to estimate these will help give you confidence, and convince potential investors of the soundness of your business idea.

### Operating Costs

Every business needs to have a solid understanding of their operating costs. These expenses are often categorized into *fixed costs* and *variable costs*. Fixed costs are expenses that will occur regardless of the amount of sales generated (e.g. rent, debt servicing, property taxes). Variable costs are expenses that vary with the amount of sales generated (e.g. food and beverage, materials and supplies for the experience). Some costs, like utilities and salaries have both a fixed and variable component.



#### **ACTIVITY** Estimating your operating costs.

The template below can be used to help you estimate the operating costs for your business. If you can think of any costs that are not included in the template below, be sure to add them to the list. Thinking back to your answers to Question 10 may help you identify other costs.

Operating Costs	Amount
Labour (owner's salary and employee wages)	\$
Equipment and Supplies (food and beverage, fuel, cleaning supplies)	\$
Marketing (advertising and promotions)	\$
Utilities (electricity, gas, water, sewer, Internet)	\$
Rent (land, buildings, vehicles, equipment)	\$
Insurance (liability)	\$
Professional Fees and Charges (accountant, lawyer, bank fees)	\$
Taxes (local, provincial, federal taxes)	\$
Borrowing Costs (loan payments)	\$
Other Costs:	\$
	\$
	\$
	\$
	\$
	\$
	\$
<b>Total</b>	<b>\$</b>

## Operating Revenue

One of the many rewarding things about starting a business can be generating sales. The feeling a new business owner gets when the first sale is made is one that will not soon be forgotten. This section will help you think about the main sources of income for your business.



### **ACTIVITY** Estimating your operating revenue.

Use the chart below to identify the sources of revenue for your business.

Operating Revenue	Amount
Sales (experience, products, services)	\$
Rentals	\$
Other Sources:	\$
	\$
	\$
	\$
	\$
	\$
	\$
<b>Total</b>	<b>\$</b>



Seasonality can have a significant impact on the cash flow of your business. For example, some summer businesses incur costs well in advance of the summer season, but will not generate revenue until well into the summer season.



A break-even point occurs when the total operating revenues are exactly equal to the total operating costs. Above this point a profit is generated, and below this point a loss is incurred.



Make sure you can back up your financial projections with reliable data, wherever possible. It is often helpful to keep detailed notes and comments on a line-by-line basis to help yourself and others understand the logic in your projections.

# MILESTONE 13



## MILESTONE

Now that you have calculated your costs, revenue, and break-even point please identify these below.

The annual operating costs of my business are \$

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The annual operating revenues of my business are \$

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The estimated annual profit of my business is \$

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The break-even point of my business is \$

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**QUESTION 13:**  
**WHAT ARE YOUR  
STARTUP COSTS?**

Jasper Tour  
Company

## QUESTION 13: What are your startup costs?

Figuring out your startup costs will allow you to know how much funding you will need to set up your business. Startup costs for tourism businesses typically include one-time major purchases and/or investments such as construction, deposits, land improvements and more: registering the business; purchasing property or leasing space; purchasing computers, mobile phones, and business-related software; refining the product or service; paying suppliers; and paying staff salaries. Initial marketing costs related to items like signage and website development must also be considered.



### ACTIVITY Estimating your startup costs.

The template below can be used to help you estimate startup costs for your business. If you can think of any costs that are not included in the template below, be sure to add them to the list. Thinking back to your answers to Question 10 may help you identify other costs.

Startup Costs (pre-opening)	Amount
Land	\$
Building	\$
Equipment	\$
Renovations	\$
Furniture / Fixtures	\$
Vehicles	\$
Utility Hook-up	\$
Inventory	\$
Phone / Cell	\$
Marketing (exterior/road signs, website)	\$
Operating (insurance and utility deposits)	\$
Professional Fees (accountant/lawyer)	\$
Working Capital (see tip below)	\$
Other Costs:	\$
	\$
Contingency (see tip below)	\$
<b>Total</b>	<b>\$</b>



**Working Capital:** When starting a business, you will need funds to cover your day-to-day business expenses until you generate enough revenue to cover these costs. To estimate the cash you will need, you will first need to realistically gauge how long it will take to make your first sales. You will then need to determine how quickly you can turn sales into cash, and how many days your vendors will give you to pay them. Working capital can be estimated using your answers to Activity 17 (operating costs) in the previous section.



**Contingency:** Startup costs have a tendency to be larger than initial estimates. That is why it is always a good idea to budget an extra 5-10% for contingency. If you don't end up spending this contingency, then you will have more money to invest back into your business!





**QUESTION 14:**  
**HOW WILL YOU**  
**FINANCE YOUR**  
**BUSINESS?**

Sawridge Inns  
and  
Conference  
Centres

## QUESTION 14: How will you finance your business?

In this section, we will look at how you will finance your business. Do you know how much money you will need to set up your business? Will you need extra money to begin operations? Where will you get it? What are pro forma statements and why do you need them? Finding out the answer to each of these questions prior to startup is essential.

### Financing new tourism businesses

Starting up a new tourism business requires investment in the form of financing. Depending on the scale and scope of your tourism business idea, you may need additional financing beyond the funding that you currently have on hand. There are many options for financing new tourism businesses. The most common are listed below:

1. **Personal Sources** – includes readily accessible financing that the entrepreneur can provide themselves (e.g. cash savings, credit).
2. **Family and Friends** – includes the personal resources of your family and friends.
3. **Investors** – includes private investment from business angels and venture capitalists seeking a return on their investment.
4. **Bank Loans** – includes money that banks lend to entrepreneurs with the requirement that the amount (plus interest) be paid back at some point in the future.
5. **Opportunity Development Cooperatives** – includes debt or equity financing from Opportunity Development Cooperatives.
6. **Crowdfunding** – includes money that is raised by collecting small amounts of money from a large number of people. Typically, this is done through crowdfunding platforms on the Internet (e.g. ATB BoostR – see Appendix C).
7. **Developmental Lenders** – provide loans to businesses which cannot get financing at a bank or credit union (e.g. Community Futures, Business Development Bank of Canada, Futurepreneur).



Relying too heavily on personal sources, such as credit cards or lines of credit, to start a business can be risky. The interest on credit debt can accumulate quickly and hurt your credit rating – reducing your ability to secure bank financing in the future. Additionally, depleting your savings can leave you exposed.



If you have an existing business and you are developing a new line of business, you may have retained earnings built up that can help finance the new venture. Alternatively, you may have assets that can be used as collateral to obtain new funding.



The federal and provincial governments also offer funding opportunities for tourism enterprises through grants, tax incentives, loans and other programs (see pg. 88 – 111 in the Tourism Business Planning Guide <https://open.alberta.ca/dataset/e5dc0b3f-eacc-4d52-83ae-eeb25e57740d/resource/810fb7bf-eb2e-4bae-ad81-d84ba4cf9be9/download/2015-ct-tourism-business-planning-guide.pdf>)



### **ACTIVITY** Financing your startup costs.

Now that you have an estimate of how much it will cost to start up your business, you need to figure out how you will pay for these costs. Use the chart below to help you understand how your startup costs will be paid for.

Operating Revenue	Amount
Personal Sources	\$
Family and Friends	\$
Investors	\$
Bank Loans	\$
Opportunity Development Cooperatives	\$
Crowdfunding	\$
Other Sources:	\$
	\$
	\$
	\$
	\$
	\$
<b>Total *</b>	<b>\$</b>

\*The total startup costs from Activity 19 should be equal to the total amount of financing above.



Banks often expect owners to be investing in their businesses before they will approve financing such as taking out a loan. Investments of at least 10% - 30% of the startup costs that have been made by the owner will encourage private lenders. This is commonly called "skin in the game".



**ACTIVITY Comparing startup costs to financing sources.**

Lenders will want to see how your business' startup costs will be covered by your financing sources. Filling out the chart below is a helpful way to show this. You can use your answers to Activity 19 and 20 to fill in the chart.

Startup Costs		Financing Sources		
Land	\$	Personal Sources	\$	( %)
Building	\$	Family and Friends	\$	( %)
Equipment	\$	Investors	\$	( %)
Renovations	\$	Bank Loans	\$	( %)
Furniture / Fixtures	\$	Opportunity Development Cooperatives	\$	( %)
Vehicles	\$	Crowdfunding	\$	( %)
Utility Hookup	\$	Other Sources:	\$	( %)
Inventory	\$		\$	( %)
Phone / Cell	\$		\$	( %)
Marketing	\$		\$	( %)
Operating	\$		\$	( %)
Professional Services	\$		\$	( %)
Working Capital	\$		\$	( %)
Other Costs:	\$		\$	( %)
	\$		\$	( %)
	\$		\$	( %)
	\$		\$	( %)
Contingency	\$		\$	( %)
<b>Total</b>	<b>\$</b>	<b>Total</b>	<b>\$</b>	<b>100%</b>

# MILESTONE 15



## MILESTONE

Now that you have learned about financing tourism businesses and the funding options available to you, take some time to answer the questions below.

**The startup of my business will be financed through the following sources ...**

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## Pro Forma Financial Planning Templates

This section describes in detail the financial tools utilized in planning for the financial health of your business. Defensible *pro forma* statements are important to have when securing financing from lenders. Most businesses seek assistance from an accountant to complete these statements.

Many new business owners feel overwhelmed with the idea of creating financial statements, but it really is as simple as tracking the money that comes in and out of your business to monitor its performance. Creating financial statements for your company is a necessary task that will help you know if your company is growing, shrinking or staying flat. Examining the numbers can also help you grow your revenue by highlighting areas for improvement.

There are three basic financial statements: Cash Flow Statement, Income Statement, and Balance Sheet. Each will be explained in the sections below.



Examples of completed financial statements are available at the Business Development Bank of Canada's website:

<https://www.bdc.ca/en/articles-tools/entrepreneur-toolkit/templates-business-guides/pages/default.aspx>



If you think that you will need help with financial projections, monitoring, analysis and management, then be sure to employ the services of a qualified accountant or other financial expert. They will be able to help you develop Cash Flow Statements, Income Statements, and Balance Sheets.

### Cash Flow Statement

The cash flow statement is the most important forecast for a new business because it demonstrates whether or not you have the actual cash on hand needed to meet your financial obligations when they come due. A cash flow statement records the actual timing of *cash receipts* and *cash disbursements*:

- Cash Receipts are cash inflow from cash sales, collections of accounts receivable, loan advances, owner's contributions and sales of fixed assets.
- Cash Disbursements are cash outflows for operating expenses, payments to suppliers for inventory purchases, repayment of loans and the acquisition of fixed assets.

A cash flow statement is not based on accrual accounting and does not include non-cash items (e.g. depreciation, amortization). See the chart on the next page for a cash flow template that you can use.

### How to create your cash flow statement:

- Select a time period for the cash flow statement.
- In the first column (pre-opening) list the value of things you put into your business and cash you spent on your business before you opened.
- In the *Cash Receipts* section, list how much cash you will receive from revenue, rentals, loan proceeds and any other sources for each month. Note that if you are providing credit terms for your customers that a cash sale is when you collect from your customers.
- In the *Cash Disbursements* section, list how much money you estimate you will be spending each month. (Some categories are given. Can you think of others?)
- If your *Ending Cash* is less than \$0 then you must have a plan to deal with it by either investing more, securing an operating loan, collecting receivables, etc.

## Cash Flow Statement

ITEM	PRE-OPENING	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
Opening Cash Balance (a)	\$													\$
Cash Receipts:														
Sales	\$													\$
Rentals	\$													\$
Loan Proceeds	\$													\$
<b>Total cash receipts (b)</b>	<b>\$</b>													<b>\$</b>
Cash Disbursements:														
Salaries & Benefits	\$													\$
Owner's Salaries	\$													\$
Marketing	\$													\$
Office Supplies	\$													\$
Insurance	\$													\$
Bank Charges	\$													\$
Utilities	\$													\$
Property Taxes	\$													\$
Professional Fees	\$													\$
Repairs/ Maintenance	\$													\$
Land Improvements	\$													\$
Vehicles	\$													\$
Inventory/ Supplies	\$													\$
Phone/Cell	\$													\$
Loan Interest	\$													\$
Loan Principal	\$													\$
<b>Total Cash Disbursements (c)</b>	<b>\$</b>													<b>\$</b>
<b>Ending Cash (a + b - c)</b>	<b>\$</b>													<b>\$</b>

## Income Statement

An income statement shows the revenues and expenses of a business given a certain time period. Income statements use *accrual accounting* to best represent the current state, which means:

- A) Revenues are recorded at the time that the sale is made, even though payment of cash for these sales may occur earlier or later.
- B) Expenses are recorded at the time that their corresponding revenue was recorded, regardless of when the actual outlay of cash was made.

Revenues and expenses are projected based on data from your research and reasonable assumptions. Income, expenses and profits are categorized in the income statement as shown in the list below. See the Projected Income Statement on the next page for an income statement template that you can use.

- **Operating Income** – income generated from the sale of the company's products or services.
- **Other Income** – income earned from other activities (e.g. interest earned on bank deposits).
- **Cost of Goods Sold** – expenses directly related to the production of goods and services (e.g. purchase of materials, freight and labour).
- **Gross Profit** – revenue (i.e. operating income + other income) minus cost of goods sold.
- **Operating Expenses** – all selling, administrative and depreciation expenses.
- **Operating Profit** – gross profit minus operating expenses.
- **Interest Expense** – expenses resulting from debt financing.
- **Net Profit Before Tax** – operating profit minus interest expense.

## How to create your income statement:

- Select a time period for the income statement.
- List how much you think you will sell each year.
- List how much you think your expenses will be
- Each year (some categories are given - can you think of others?)
- Calculate the net profit using the formula in the template. (Revenue minus expenses = profit or loss)

## Projected Income Statement

Item	Year 1	Year 2	Year 3
Sales:			
Sale of Products/Experiences	\$		
Rental Income	\$		
	\$		
	\$		
	\$		
<b>Gross Profit (a)</b>	<b>\$</b>		
Expenses:			
Salaries & Benefits	\$		
Owner's Salaries	\$		
Marketing	\$		
Office Supplies	\$		
Insurance	\$		
Bank Charges	\$		
Utilities	\$		
Property Taxes	\$		
Professional Fees	\$		
Repairs / Maintenance	\$		
Land Improvements	\$		
Vehicles	\$		
Inventory / Supplies	\$		
Phone / Cell	\$		
Loan Interest	\$		
	\$		
	\$		
	\$		
	\$		
<b>Total Expenses (b)</b>	<b>\$</b>		
Depreciation (C) (see tip below)	\$		
<b>Net Profit (a - (b + c))</b>	<b>\$</b>		



**Depreciation:** Depreciation recognizes that the value of most assets will decrease over time. It allows a business to reduce its taxable income by the amount of the depreciation of the asset. For example, if a business purchases a tour bus for \$100,000 and expects to use it for 5 years, the business might have a depreciation expense of \$20,000 in each of the five years for that bus.

## Balance Sheet

A balance sheet is a snapshot of the financial condition of a business at a fixed point in time. It shows what the business owns (assets), what it owes (liabilities), and the owners' equity. Assets represent the total resources the business has, stated in dollar terms. Liabilities and equity are claims against these assets. The excess of assets over liabilities represents the net worth of the business.

Assets are listed in order of *liquidity*, which is the ease of converting the asset into cash. This means that cash will be listed first because it is the most liquid. Fixed assets, such as land or buildings, can take a long time to be converted into cash so they are listed last.

Liabilities are listed in a similar fashion. Current liabilities, such as accounts payable or wages, are listed first. Long term liabilities, such as debt, are listed last. See the chart on the next page for a balance sheet template you can use.

## How to create your balance sheet:

Select a time period for the balance sheet. Because a balance sheet is a snapshot of your company at a given time, start the balance sheet at the end of your first-year period.

### Current Assets

- Include the value of any assets that you will likely sell in the next year (For example: accounts receivable, inventory. Can you think of others?)

### Long Term Assets

- Include the value of any assets that you will not likely sell in the next year (For example: property, vehicles, equipment, deposits and prepaid expenses. Can you think of others?)

### Current Liabilities

- Include the amount of liabilities you anticipate paying out in the next year.

### Long Term Liabilities

- Include the value of any liabilities you are not likely to pay off in the next year.

### Owner's Equity

- This is the owner's value in the company (not the amount invested). If you sold all your assets and paid off all your liabilities, this is the amount you would have left over.

## Balance Sheet Template

Current Assets	Opening Balance	Closing Balance
Cash	\$	\$
Prepaid Items	\$	\$
Inventory	\$	\$
Other Current Assets	\$	\$
	\$	\$
	\$	\$
<b>Total Current Assets (a)</b>	\$	\$
<b>Fixed Assets</b>	\$	\$
Land	\$	\$
Building	\$	\$
Equipment	\$	\$
Vehicles	\$	\$
Furniture / Fixtures	\$	\$
Other Fixed Assets	\$	\$
	\$	\$
	\$	\$
<b>Total Fixed assets (b)</b>	\$	\$
Less Depreciation (C)	\$	\$
<b>Net Fixed Assets (d = b - c)</b>	\$	\$
<b>Total Assets (a + b + d)</b>	\$	\$
<b>Current Liabilities</b>	\$	\$
Accounts Payable	\$	\$
Current Portion of Long-Term Debt	\$	\$
<b>Total Current Liabilities (e)</b>	\$	\$
<b>Long Term Liabilities</b>	\$	\$
Mortgage	\$	\$
Shareholder Loans	\$	\$
Long-Term Debt	\$	\$
<b>Total Long-Term Liabilities (f)</b>	\$	\$
<b>Owner's Equity</b>	\$	\$
Share Capital	\$	\$
Retained Earnings	\$	\$
<b>Total Owner's Equity (g)</b>	\$	\$
<b>Total Liabilities &amp; Owner's Equity (e + f + g)</b>	\$	\$



Some banks may require three-year balance sheets in order to approve financing. You can work with your specific lender to find out their requirements of you and your business.