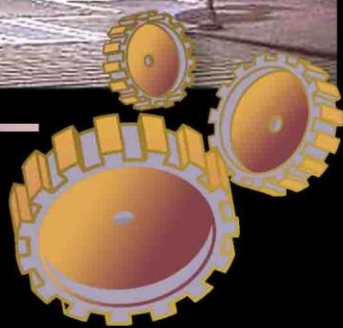


A PRACTICAL VIEWPOINT OF SMALL BUSINESS OWNERSHIP



# The Heart and Soul of Entrepreneurship

BRENDA W. HARGROVES

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The *Heart* and  
*Soul* of  
Entrepreneurship

**Table of Contents**

*ACKNOWLEDGEMENTS 1*

*INTRODUCTION 2*

    The Challenge **2**

    The Response **4**

    Steps to Success **6**

*I. SO YOU WANT TO BE AN ENTREPRENEUR? 8*

    Assessing Your Needs **8**

    Observing Common Elements **14**

    Avoiding The Traps **17**

*II. DOES ANYBODY WANT MY SERVICES? 19*

    Determining Your Client Base And Focusing On Their Needs **19**

    Testing the Water **22**

*III. HOW MUCH WORKING CAPITAL DO YOU NEED? 25*

    Initial Considerations And Potential Expenses **25**

    How Are You Going To Lay For All Of This? **29**

    Are You Credit Worthy? **31**

    Creative Financing **34**

    Keeping Your Head Above Water **37**

*IV. MAKING THE MARRIAGE: CLIENT AND VENDOR 40*

    Marketing Ground Rules **40**

    Choosing The Most Effective Marketing Methods **42**

    What Works Best For Our Business Owners **45**

    Presentation Followed By Excellent Service **48**

*V. COPING WITH GROWING PAINS AND HIRING STAFF 53*

    You Can't Do IT All By Yourself, Or Can You? **53**

    Choosing The Administrative Service That Works For You **59**

*VI. LEARNING VALUABLE LESSONS 61*

    If You Knew Then What You Know Now **61**

    Making Personal Sacrifices **69**

    How Do You Measure Up? **71**

*VII. THE FINAL FRONTIER: PERSONAL SUCCESS AND GRATIFICATION 73*

*The Heart and Soul of Entrepreneurship*

*VIII. REACH FOR THE STARS* **78**

*SUMMARY* **84**

*ABOUT THE AUTHOR* **86**



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# I ntroduction

We are all familiar with entrepreneurs who started businesses that grew into well-known corporate entities. You read about them every day. What about the small businesses that have remained small, such as the corner pharmacy, the pizzeria and the local dry cleaners? Small businesses, though we don't often read about them, are very much a part of our everyday life.

## **The Challenge**

Several scenarios cause people to consider entrepreneurship as an alternative to working for someone else. Obvious candidates are people who have always felt the entrepreneurial spirit and thought about starting a business. Corporate downsizing, the desire to try a new idea out in the marketplace, a plan to start a small business on the side with the intent of doing it full-time after retiring or leaving a job are all viable reasons.

A weak economy, changes in technology and an increase in outsourcing, have caused corporate closures and mergers, forcing many people over 40 back into the job market. Despite laws designed to protect workers, few companies want to hire older



## *The Heart and Soul of Entrepreneurship*

people, preferring to employ younger candidates who are less experienced and will accept lower salaries. People who worked many years for someone else, that suddenly find themselves out of a job and experience difficulties securing employment, are also candidates for entrepreneurship, not necessarily by choice, but candidates nevertheless.

Others sometimes find themselves in situations not often considered. I was told the story of a high-ranking officer, whose Army career spanned three decades. Over the years, he was awarded more ribbons, medals and accolades than anyone could count. He never specialized in a particular field during his military career. When he retired and attempted to find employment in the civilian world, he discovered that no one wanted to hire a career serviceman. Although he had managed people throughout his entire career, he found that employers were reluctant to hire him, possibly because they felt he would manage people with a military approach. He was forced to search for different options to continue his working career and finally decided to buy into an existing business.

For many people, owning a business seems an unreachable goal. The obstacles appear insurmountable. It is difficult enough for those who wish to become business owners to consider taking that leap into entrepreneurship. Older workers, downsized employees or people such as the military officer mentioned above with limited specific skills, have the added burden of overcoming their natural preference for working for someone else.

Many questions challenge new entrepreneurs, whether they are starting a business, or buying an ongoing entity or franchise.

- Where will they get the money?
- How can they acquire the knowledge to manage a business?
- How do they support themselves or their families during the lean times?

Their questions might be even more basic. Maybe they haven't yet been able to decide what type of business they want to start. Not knowing the answer to any one of these questions can prevent them from ever attempting entrepreneurship.

## **The Response**

You can attempt to gain insight by reading any of the many books written by successful business owners; however, my personal experience has been that these sources tend to disappoint because the authors focus on their individual stories, rather than explaining the methods they employed to achieve success. These books are more autobiographies than useful references.

The Heart and Soul of Entrepreneurship addresses the person who, having wrestled with his or her uncertainties, has decided to start and maintain a small business. Many of the suggestions apply to someone considering buying an ongoing business or a franchise. I hope it will also help those who still must overcome their doubts to make the move.

## *The Heart and Soul of Entrepreneurship*

My intent is to offer basic, common sense ideas. Suggestions are derived from my experiences as the owner of two very different, but successful, businesses. In addition, to offer a general do-it-yourself guide, I interviewed several other small business owners who were gracious enough to take time from busy schedules to collaborate with me. Their insight has been invaluable. Topics of discussion include:

- Personal Assessment For Entrepreneurial Traits
- Product And Market Research
- Financing
- Sales And Marketing
- Staffing Requirements
- Administrative Systems
- Internal/External Reporting Methods
- Lesson Learned
- Defining Success And Finding Personal Gratification

There are many works that teach the technical aspects of starting and managing a business. They discuss how to start specific types of ventures such as mail order, restaurants, home-based and Internet businesses; franchising, partnerships and buying an existing business; business plans, accounting and tax information. There is even a business start-up for dummies book. Some of these resources claim to be the only reference you will need to start a business.

I do not make this claim. While The Heart and Soul of Entrepreneurship does address many technical aspects of starting a business, its major purpose is to provide a handy reference that

addresses the personal, but not-so-technical issues that arise for would-be entrepreneurs. It is a quick rundown of information, pitfalls, hints, suggestions and personal histories for people considering going into business for themselves.

## **Steps To Success**

There are many ways to define success. My close friend says his business is successful as long as at the end of the month he has earned more than he has spent. I remember responding to his definition with a blank stare, but who am I to judge, as he is probably “the millionaire next door.” His is a very simple approach, and it obviously works for him.

I define one of my ventures as being a success because we were able to grow it to the point that someone bought it. This achievement was special since it is normally difficult to find a buyer for a service business that operates basically on the good will it generates.

The business was a temporary and permanent staffing firm that provided accounting and finance personnel. When this type of business is sold, the buyer is not purchasing inventory or a tangible product. Well-established relationships with clients, your temporary personnel and your staff, along with a good reputation in the industry become your product. Therefore, my firm’s value was based on its reputation and the amount of goodwill it had generated.

One of the best ways to determine if a business is successful is to evaluate whether it has

## *The Heart and Soul of Entrepreneurship*

achieved the results you want. Are you able to cover the expenses of the business and pay yourself a salary that allows you to take care of all of your responsibilities? Have you been able to supplement your income by operating a part-time venture? Are you doing something you enjoy and providing a needed service? If you are accomplishing these goals and feel good about it, your business is successful. To paraphrase Og Mandino, author of The Greatest Salesman in the World, failure is man's inability to achieve his goals. Success is a state of mind.



## Chapter I

### ***DO YOU WANT TO BE AN ENTREPRENEUR?***

First step completed. You have decided you want to start your own business. If you're lucky, you know exactly what you want to do. Those who are not so lucky know only that they want to be in business for themselves, but doing what? They are not quite sure. Let's be patient for a moment and help them decide.

### **Assessing Your Needs**

OK, let's begin with the basics. What are your skills and talents? What is your educational background? What do you enjoy doing? Do you prefer interacting with other people, or would you rather work alone? Are you more comfortable doing physical work, or do you see yourself as being creative? Have you built a network of established relationships in any particular area? Once you've honestly answered these questions, the choice becomes a little easier. You can then move on to getting your business off the ground.

Gene started his business at the suggestion of his girlfriend, Alma. He knew he was creative and always enjoyed working with his hands. It was natural that he would be good at designing floral arrangements. He also found that working with flowers was, for him,

## *The Heart and Soul of Entrepreneurship*

a stress reliever. Gene often came back to his shop late at night when it was quiet, puts on some jazz and worked through the night. When he was not under pressure to produce, he found his work was the most relaxing thing he did.

I opened a gallery selling restored, previously owned wood furniture for almost the same reasons. Like Gene, I enjoyed working with my hands, creating beautiful and useful pieces of furniture from something most people would just as soon throw away.

My stepmother and her sister passed away within a two-month period, leaving quite an accumulation of furniture. I've always believed that wood generates a feeling of warmth and coziness; therefore, just for fun, I took a course in furniture refinishing. I searched through the basement, where my father stored the family treasures, and picked out a piece for my class project.

An old chair caught my eye. Although it had a dark finish, layers of dust and polish, and no seat, its shape was simple and beautiful. Once refinished, the wood was absolutely gorgeous. Under the dark stain was its much lighter natural color with a lovely grain running through it. The seat needed to be woven so I decided to take another course in caneing. The finished product was quite an improvement, so much so that in my spare time, working in my girlfriend's basement, I restored the other neglected pieces. Once completed, I had a lovely assortment of furniture.

I thoroughly enjoyed working on each piece, and I was extremely proud of my accomplishments.

Living in an apartment and having no place for all of that furniture, I decided to sell it. I arranged the pieces around my girlfriend's basement and sent out notices to everyone I knew, advertising the date of the sale. To my surprise, every piece was sold. I used the proceeds to buy more pieces to refinish and scheduled another sale. Again, another success. Almost every piece was sold. I realized that the next logical step for me was to open a gallery.

Obviously, people have different reasons for attempting a particular business venture. Gene and I had creative aptitude for things we enjoyed doing, and our talents moved us forward. Sometimes you merely happen to be in the right place at the right time, like Nona.

Before opening her specialty items business, Nona sold tags and labels for a printer. She did not find it particularly fulfilling, because she had no input into the process. She offered the product to potential clients. They decided which items they wanted. She took their order back to her supervisor to be priced and returned to the client with a quote. Clients either accepted the price or they didn't. Nona recognized her sales ability and people skills were being wasted, and she wanted to have more interaction with her clients.

One day, while visiting a client, Nona ran into an old friend. He told her about a business opportunity. His employer was in the process of developing a specialty products business. He suggested she start marketing these items to her other clients, for a commission. Nona took the company's catalog and before long, started to get orders.



## *The Heart and Soul of Entrepreneurship*

Shortly thereafter, her friend informed her that she was selling more than the person the company had selected to run the division. He suggested that perhaps something could be worked out so she could be hired to manage that segment of the business. Nona met with the owner and the pair struck a deal. Her new employer offered Nona the opportunity to run that business segment as she saw fit. She worked with the contacts she already had and continued networking to develop new accounts. She was able to come and go as she pleased. The new arrangement was far more enjoyable for Nona, because she had the opportunity to further connect with her clients. She helped businesses decide which advertising items were best for their budgets.

After she worked for the company for about two and a half years, Nona decided she could start a home-based venture. She researched the particulars about starting her own business and told her old friend, now advisor, what she was planning. He suggested that rather than starting all over from the beginning, she consider buying the segment of the business she was already promoting. He knew the owner was fond of her, and it was likely that he would not do much with that division, if she left. Nona was able to purchase the business for a nominal sum and has been operating from her home ever since.

Many times the business chooses you, as was the case with Rob. He began working in the printing business when he was fifteen. After changing employers several times and continuing to learn from each experience, Rob reached the point where he had learned all he could and would not be able to advance further while working for someone else. His last

position was running a franchise operation for an absentee owner. He made all the management decisions. More important, he was the one who networked and developed contacts for the business such as paper suppliers, equipment repairers, equipment sellers, etc. The fact that he was personable and made friends within the trade also worked to his advantage. Rob decided to try his hand at running his own print shop. He discussed his plan with a friend, and they decided to go into the printing business and form a partnership.

Until age twenty-two, Omar was a street hustler. His success was due to his outgoing personality. He referred to himself as a “bad boy” but always wanted to own a legitimate business. Like Nona, the opportunity came to him. He was approached by an older man who asked him if he was interested in opening a barbershop. The man had the experience, but needed money to start the business. Because Omar was good at hustling, he had plenty of capital, but no solid, marketable skills. Perfect conditions for a partnership.

Once Omar learned the business, he soon realized he was not making a great deal of profit from the shop because he wasn’t cutting hair. *The barbers made all the money.* He sold his percentage back to his partner and went to cosmetology school.

Omar had stopped street hustling, so when he finished school he had a wife and a child to support and very little money. He explored his surrounding area around until he saw a For Rent sign at an appropriate commercial location. He rented the space and opened a unisex barbershop.

## *The Heart and Soul of Entrepreneurship*

Omar had struck a friendship with another talented young barber who taught him how to cut hair even better. Omar hired his friend, and the two of them started out charging \$5 for a haircut. They had few supplies, no stations and no barber chairs. In a couple of weeks, they had made enough money to buy the needed stations and chairs. Omar submitted the necessary registration paperwork to the state, and they taught themselves the business. They added more stations and, at one point, divided the space in half and opened a beauty parlor on the other side. He eventually sold the beauty parlor and, at that time, had five barbers working for him. After two years, when everything was paid for, Omar set a new goal. He decided to open four additional barbershops.

Willie owns a consulting firm. His area of specialization is system integration, a technical term for ways to improve computer systems' ability to communicate with each other. He installs LANs (Local Area Networks) so users at a particular site can have information updated simultaneously and WANs (Wide Area Networks) to give users located at different sites the same capability. He also sets up computer systems for businesses that want to automate their manual tasks.

The desired result is to provide information in the format needed to make informed decisions. Willie teaches his clients how emerging technologies can impact their business environments and shows them how to align technology with meeting their goals.

He chose his business because it is what he loves to do. When he was in college, Willie knew he wanted to be an entrepreneur, but he didn't know what

service he would offer. When he graduated, he began working for a systems consulting firm. He discovered he enjoyed consulting, because he got to see the results of his efforts and didn't have to cope with the client company's political environment. Having determined his niche, he started his own firm.

## **Observing Common Elements**

Now let's talk about what you enjoy doing. Perhaps you find cars fascinating. You should consider opening an auto parts store. If you are a person who enjoys cleaning, think about starting a housekeeping service. Possibly your hobby is making household accessories. The idea of opening a crafts store might be of interest. Or you may want to consider manufacturing and selling your wares through a catalog service or on the Internet.

Do you like to drive? You could look into ways to develop a courier or limousine service. Is cooking your interest? How about a catering business? What about matchmaking? Consider a temp agency or a dating service.

You may find that you enjoy writing grants for non-profit organizations, or you may have gained a solid knowledge of the regulations of financial aid or employee benefits administration. Perhaps these are areas where offering consulting services could be a viable choice. More and more people with specific skills are considering consulting. Willie, our systems consultant, points out that if you develop relationships with several clients who give you repeat business, chances are at least one of them will be using your services at any given time. Therefore, you may have

## *The Heart and Soul of Entrepreneurship*

more job security as a consultant than the person who works for a company that might, on any given day, present you with a pink slip.

In reality, if you can do something people either don't want to or can't do as effectively for themselves, in all likelihood, you have identified the possibility for a small business. It does not necessarily have to be a full-time venture. I have a friend who is a teacher and has the summers off. She thoroughly enjoys working in the yard, because, unlike teaching, she immediately sees the results of her efforts. Having two sons in college helped her decide to earn additional money by starting a part-time summer business offering landscaping services. She did this for a couple of years, and through word of mouth, developed a client base that was almost more than she could handle. If you think about it, many homeowners are willing to hire someone to take care of their yard, ranging from those who don't have the time or the interest, to those who have a physical disability and are unable to do it themselves.

When considering a possible business venture, choose something that allows you to be yourself. Consulting works well for Willie because he is very organized. He likes to see a beginning, a middle and an end. Often accompanying the entrepreneurial spirit is the desire to maintain some control, to have things progress in a certain fashion.

Nona enjoys interaction with people. Helping her clients choose their marketing materials allows her to have that personal contact. Rob likes working by himself. Being in the print shop running the presses suits his fancy. Gene preferred being in a casual, as opposed to a corporate, environment. Arranging

flowers allowed him to do that. Omar knew he had an outgoing personality. When he looked at his options, especially given the direction he was previously headed, learning to cut hair seemed a viable choice.

Do you see where this is heading? None of these people are forcing themselves to be other than what makes them comfortable. Instead they have fit their businesses to their personality and financial needs.

We have two vital criteria to begin the journey with. 1) Choose something you enjoy doing and 2) make sure your choice allows you to be yourself. These are important, because your efforts will, at best, be mediocre if you are doing something you don't particularly like. In that case, you might as well work for someone else and not take the risks involved in entrepreneurship.

You often see motivational sayings on posters hanging in offices. One phrase, in particular, has always struck me. "Vision is the art of seeing something invisible." To see something that may not yet be visible, get those creative juices flowing.

Still haven't come up with anything? OK. Try seeking advice from others. Listen to how people view you and your skills and ask for their suggestions. You will be surprised at what they come up with, almost like having someone do a resume for you. My sister and I tried that once. She created a resume for me that was geared toward filling an administrative position in a social services environment. The information in the resume was all true, but it highlighted my administrative skills and accomplishments as opposed to my corporate management skills.

## **Avoiding The Traps**

I hope all of you who were previously undecided have now given it some thought and picked a possible venture. Good. Now get on with it, and do not procrastinate! You should, of course, do the necessary research, but do not get bogged down with courses and seminars about becoming an entrepreneur. What does Nike say? “Just do it.” You are going to make mistakes, so learn from them and move on. You can never do anything well without first making mistakes.

Another possible pitfall: Be discriminating about the organizations you join in your efforts to develop business contacts. Many of these groups operate on a volunteer basis and a handful of people end up doing all of the work. Do not spread yourself so thin that the time you spend on outside activities keeps you from tending to your own business. Get involved and be visible, but always evaluate the benefit of your involvement.

The next important thing is setting goals. Being successful in business is much like being successful in life. You have to be able to establish a goal, achieve it and then set the next goal. Setting and achieving goals is a continuous process. The key is to be disciplined to the point where you identify needs and address them one at a time. Take the most basic need first, decide how to meet that need and then move on to the next. Then on to the next.

Goal setting is not necessarily taught in school. Remember, having an education teaches you how to function, it does not teach you how to think.

Many people feel secure in an environment where their functions (i.e. job) are clearly spelled out. They are not necessarily challenged to think on their own. How you think determines whether you have what it takes to be an entrepreneur.

*It's time to move on to the next topic, researching whether there is a market for your product or service.*



## Chapter II



### **DOES ANYBODY WANT MY SERVICES?**

#### **Determining Your Client Base And Focusing On Their Needs**

From having been in the business previously, Omar knew his barbershop would be a success. All he had to do was find a location he could afford on a fairly busy street and set up shop. The rest would follow. Another thing that helped grow Omar's business was that the salon caters to men, women and children of all ages. At any given time, you will find professional people, both male and female, guys from the neighborhood and mothers with young children waiting for haircuts. The atmosphere in the salon reflects the type of clientele that happens to be there. For example, when a woman of a certain age comes in, the music is immediately turned down and the language is cleaned up. If children are present, certain topics just aren't discussed. Everyone is made to feel comfortable.

For Gene, a florist was the way to go. Occasions to buy flowers were never ending. His challenge was where to set up shop. He determined that he wanted to be a neighborhood florist located within a community that would allow him to serve local customers for weddings, funerals, birthdays, Valentine's Day, Mother's Day and all other holidays.

Gene did another smart thing. He situated his business near a hospital, so he would have an additional source of customers. People always visit hospitals with flowers for the sick. As an added bonus, he developed the hospital itself as a corporate client. He did a weekly floral arrangement for the main lobby and supplied the flowers for the hospital's various functions.

Entrepreneurs develop different approaches to make their businesses profitable. They try to figure out services that feed into each other. By doing this they cover all of the bases and do not just depend on one source of income. For example, I know a woman who owned a business-support-service company. She began providing secretarial and administrative support to businesses that either did not want or couldn't afford to hire office staff. She also served individuals who needed projects completed, such as resumes, letters, term papers or theses. She developed a good-sized, consistent client base; however, through her marketing efforts, she discovered that rather than sending work out to be completed, many companies preferred to hire temporary staff. She decided to start a separate division that offered temporary and permanent placement services, so she could fill all her clients' needs. She used her earnings from the business-support side of the business to begin funding the placement division.

I did something similar with my furniture business. In addition to selling restored pieces, I offered refinishing, caning and other types of weaving services to my clients. I also taught classes to those who wanted to learn how to do it themselves.

Rob knew from his prior work experience that he would receive business from individual consumers,

## *The Heart and Soul of Entrepreneurship*

but corporate clients represented an even greater potential for printing services. He also knew that for him, location was not of paramount importance, because as a part of his printing service, he planned to offer free pick up and delivery. Rob set up shop in an area where his rent would not be high. He picked a place close to home for convenience. He had grown up in the same area, and knew many people, so it was a little easier to develop an individual consumer client base. He also found that his corporate clients requested that he serve their personal printing needs as well, another example of developing additional sources of business.

I mentioned earlier that I started two different business ventures. Several years ago, I worked as a manager of a temporary and permanent placement agency. After I had worked for the company about a year, the owner sold the business. Subsequent to the sale I, along with another woman who worked with me, decided to open our own agency. We knew that placement had high growth potential, and we already knew the business. Our offices were located in New Jersey, but close enough to New York City that we could develop a client base there as well. Public transportation had to be available nearby, so that job applicants who used the bus could get to our office for interviews. Combining all of these elements helped us develop both a solid client and applicant base.

The mention of developing a client base brings me to an important point. Determining a profile of your client base is crucial to the success of your business. The thing that made our placement business successful was that my partner and I decided early on that although we were capable of providing many

temps to the larger companies we would not ignore the small and medium-sized companies, who perhaps used only one or two temporary employees a year. We found that serving a mix of a few large companies and several smaller companies allowed us to sustain a constant, rather than sporadic, volume of business.

I mentioned some of the reasons for location choices, but there is, of course, something to be said for home-based businesses. The obvious advantage is less overhead, or in Nona's case, not having to travel far to get to work. If you plan to run your business from your home, however, it is best to designate a specific workspace, for discipline reasons as well as tax purposes.

When you work from home, be cognizant that your business image must always be professional. Invest in a personal answering service to take messages if you are frequently not available. Nothing turns people off quicker than always getting an answering machine when they call. When a real person answer the phone the caller gets the impression that the business is a viable concern. Whatever method you use to get messages, always demonstrate professionalism by returning calls promptly.

## **Testing The Water**

In all of our cases the likelihood of success was not too difficult to figure out, because each of us knew there was a market for our product or services. What about the cases where you do not know if your product is marketable? How do you find out? One suggestion is that you try sticking your toes in the water before diving in head first. Do what I did with the gallery.

## *The Heart and Soul of Entrepreneurship*

Start your business on a part-time basis first, while you are still working full time. If, after a period of time, the business looks like a worthwhile venture, you can then determine whether you should consider making it your full-time occupation.

Another method of fact-finding is to take a survey. Don't mail out questionnaires, because the chances of getting them filled out and returned are very slim. Plus, you have to spend time waiting for the results. I would make phone calls. Think of three or four quick questions – nothing long and drawn out – that will determine whether the public has an interest in your product or service. If you are seeking corporate clients, you mainly want to find out if the company uses your type of service and who to contact at that firm. Otherwise, determine what would be considered a likely market group, get a list, if you can, and start calling. Remember that people get many promotional calls, both at work and at home, so be prepared for possible rejection. Your continued efforts will provide you with the information you need. Though you may find it difficult to make the first call, keep in mind that the person on the other end of the line doesn't know who you are and can't see you.

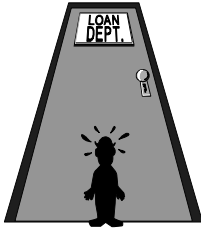
When you detect an interested listener, note the person's name and address. If you don't have contact information, politely ask if you can have an address for your mailing list. After enough calls, you will not only know if there is interest, but you will also have a list of potential clients.

Yet another way to gather information is to find similar businesses located in places where you would not be considered competition. Contact them

and they may answer many of your questions, because others will often help when you are not perceived as a threat to their livelihood.

Even large companies ask competitors for help. In an effort to improve production, Harley Davidson sought advice from Honda. Honda agreed to allow Harley executives to tour the U.S. Honda plant to study its manufacturing process. Harley executives expected to find that Honda was far more technologically advanced than Harley. What they found was that technology had little to do with Honda's success. Both companies' production process was basically the same. Honda simply did a better job.

Once you've tried any of these methods for studying the market, you should have a good idea of whether your business has potential. After you decide your venture is viable, the next blaring question is *how much is all this going to cost?*



## HOW MUCH WORKING CAPITAL DO YOU NEED?

### Initial Considerations And Potential Expenses

Before you actually start doing business you have to consider several things. You must decide what type of business it is going to be - a sole proprietorship, a partnership or a corporation. A sole proprietorship is the simplest way to go. One owner; therefore, one ultimate decision maker. A host of reasons determine the choice between a partnership and corporation. If you choose a partnership, draft a partnership agreement early in the process to avoid misunderstandings later.

The most important reason for choosing to incorporate is that you, as the company owner, are released from personal liability for the financial activities of the corporation. If, for example, your company finds itself in the unfortunate situation of being sued, your personal assets cannot be touched. Incorporating is a more complicated process and has more tax-form requirements.

The nature of the venture you are starting will help you make a determination as to the business type. Be sure to seek the advice of an attorney with regard to a partnership agreement and of an accountant for incorporation questions.

Next you must choose a name for your business. Once you do, check with your Hall of Records to make sure someone else hasn't already registered the name. If the name you have chosen is not in use, you should immediately complete the necessary paperwork to have it registered. Registration generally involves paying a fee; however, this step is especially important if you plan to incorporate, which as stated earlier, is another process in itself.

Depending on how you plan to advertise, you may decide to create a slogan or a logo. If you have creative resources at your fingertips this can be done at no cost. Many people find it necessary to solicit the services of a professional agency to help them with this task. However you choose to handle the issue of a logo or slogan, the minimum expense you are likely to incur will be for business cards and stationery.

Deciding what type of accounting system you are going to use is critical. Whether you choose a manual or a computerized system, you must maintain accurate records of your income and expenses, making sure to keep your receipts. Several software packages are available that help make your business accounting a fairly simple task.

As you can see, even these initial steps require a financial investment. Not only are costs likely to be more than you first estimate, there will be a cost associated with just about every thing or service you need to get started.

Because start-up expenses can be daunting, I advise inexperienced business owner to remember the saying, "Do not reinvent the wheel." It is always a good



## *The Heart and Soul of Entrepreneurship*

idea to talk to people in a similar business about ways to economize and where you might do better to spend a little more money. Ask these business owners how they would change their early spending habits; what expenses they later decided they should not have incurred. Join a trade association, a support group of people in the same business, who can not only offer advice about start-up expenses but all other aspects of managing your business. The membership fee is generally well worth the expense.

In addition to these general expenses, you must consider costs specifically associated with your product. If you are selling a tangible item, you have to determine what it costs to produce that item. After you've looked at general expenses and costs associated with your specific product, projected ongoing expenses come into play. Remember to get used to the idea that things are generally going to cost more than you initially estimate.

Using my gallery as an example, I first had to purchase furniture to restore. This simple-sounding task involved driving around, so I had mileage expenses, in addition to what I had to pay for the pieces. I then had to purchase materials to restore what I bought. Because restoration is such a labor-intensive task, the time it took to do the work also had to be taken into consideration. When I looked at all these components, pricing the furniture for resale became a major challenge.

One way I was able to minimize my cash outlay was to locate sources for furniture that were willing to let me pay for the pieces after I sold them. Another way was to find furniture that people were throwing away. I took many pieces right off the curb. My

husband called me a garbage picker, but I didn't care. If something looked like it had potential, I stopped and got it.

As the business progressed, I graduated to the point where I could also buy furniture that did not need much work for resale. I didn't make as much profit on those pieces, but it allowed me to have additional inventory and turn my product over more quickly.

Be aware that you will have direct costs, even when you provide a service rather than a product. Take Willie's systems consulting business. Many of his projects require that he hire subcontractors who must be paid before he collects from his clients. He has to consider these expenses when calculating his up-front costs.

Once you've figured out the cost of your product or service, you must decide on a selling price. This is the heart-wrenching part. You have to determine your actual costs and then estimate what you think your skill, knowledge and time are worth – all the while keeping in mind your competitor's prices. Not an easy task.

Whenever possible, keep this pricing tip in mind. Try to price a little on the high side, because, if necessary, you can always come down; however, it is almost impossible to go up. Many potential reasons arise to lower a price, few to raise it.

Additional costs to consider include office equipment and supplies, rent, telephone and other utilities, security deposits, advertising, insurance, legal

## *The Heart and Soul of Entrepreneurship*

fees, licenses and permits, travel and entertainment, not to mention salaries, if applicable. The easiest way to roughly calculate all your expenses is to prepare a simple budget. Seeing the numbers in black and white can be quite an eye opener.

Now it's time to get down to brass tacks. *Where is the money coming from?* I know you've probably been asking yourself this question all along, so let's take a look at how my fellow entrepreneurs handled this problem.

### **How Are You Going To Pay For All This?**

We already know that Omar started with little money and a great deal of blind faith. Certain types of small businesses can be started in this manner, but the majority of them require some initial financing. Even Omar had to pay rent and security before he could set up shop.

Gene financed the flower shop with money he and his girlfriend had saved. He recalls they went through \$25,000 like it was \$25, in the blink of an eye. Rob's experience was similar. After his partner's parents lent them \$25,000, they realized it was not nearly enough. Because they had no credit history, their vendors wanted a large down payment, especially those that sold equipment.

When you first start out, there are many things you don't consider in your planning, or you consider them, but you don't expect the cost to be as much as it turns out to be. The telephone company wants a deposit for every line installed; the utility company requires a hefty deposit, etc. And as soon as you rent

space, it seems that the first of the month rolls around faster than it ever did before.

Nona was fortunate with her initial costs. First, she did not have to start from scratch; she bought an on-going business. Second, because of her situation, the prior owner's selling price was only a few thousand dollars. She was able to handle that expense on her own. The specialty items business does not require a large initial financial investment. In this type of business one invests more time developing a client base and doing the required research to find requested items at the best prices.

When considering your start-up costs, remember that most new business owners find they are initially unable to pay themselves. Your financial planning may have to include the ability to take care of your personal expenses without drawing a paycheck for, possibly, up to a couple of years, depending on how fast your business grows.

Early on Willie recognized that he would have to make financial sacrifices in order to raise enough capital to start his business. He found that when he worked as a consultant, his bonuses were considerable. Being financially astute and aware of how much risk he was willing to take, he invested every penny he could in financial markets that yielded higher returns than traditional savings accounts. Willie sacrificed satisfying himself while working for someone else in order to start his own business and reap greater rewards later.

With my refinishing business, I essentially did the same thing. I used the money from my first sales to buy more pieces of furniture to restore. I've always

been a saver, so between recycling the money I earned and drawing on my savings, I was able to start the gallery, make it grow and manage my personal expenses. Opening the placement firm was another story. My partner and I calculated that we needed an initial investment of at least \$50,000. Between her savings and my homeowners' equity loan, we raised enough to get started.

All the above are situations where most of the money needed for the initial investment was available. Let's suppose that is not the case. I recently read that most entrepreneurs acquire start-up capital from family members and friends. Many times, successful business owners will invest in a similar start-up operation. Before you approach someone asking to borrow money, you must answer a critical question.

### **Are You Credit Worthy?**

The first and most important rule, above all, is you must, I repeat, **MUST**, establish credit and have a good payment history. I often lecture folks – especially young people – about not ruining their credit rating. This point is especially pertinent in today's economy. Credit cards are offered to teenagers who do not necessarily understand how much damage can be done. Ruining your credit is a mistake that follows you for a very long time and is especially detrimental to anyone seeking financial assistance to start a business. You may have an enterprising idea that is brilliant, but if you don't have the means to make it happen on your own and you have bad credit, the likelihood is that it will never get off the ground.

Practice restraint and don't buy things you can't afford. When you do buy something, whatever it is, pay the bill and pay it on time. If you can't make a payment when it is due, don't ignore it. Call whomever you owe and negotiate payment arrangements you can handle. Most creditors are only interested in getting their money and will generally work with you, if you are sincere in your efforts. The main thing is to keep your credit report unblemished.

I can't tell you how many people I know who have learned the hard way that having good credit is like having money in the bank. What you have done in the past is the only indicator a lender has to judge whether or not you are a good credit risk. Every day I get letters from companies wanting to give me a new credit card or line of credit. They've checked my payment history and determined that I repay debt in a timely manner. Consequently, they are happy to lend me money.

What if you don't have good credit and you still want to own a business? Can it be done? The answer is probably yes. Never let it be said that there is only one way to accomplish a goal. It is likely that a person with bad credit is already used to dealing with creditors. That kind of juggling could very well have become a way of life. What's to say he or she can't run a business in that manner?

I don't know how they do it, but there are many small business owners who manage to keep their doors open and owe everybody. They are harassed by creditors daily, both on the phone and by mail, but somehow, they keep it together or somewhat together.

## *The Heart and Soul of Entrepreneurship*

The problem with borrowing from Peter to pay Paul or constantly juggling finances is that not only do the owners suffer from added stress, but the business suffers the consequences too. For example, if you plan a mass mailing at peak season and you haven't paid your postage meter service, you've got to generate the cash to buy stamps or try to negotiate with the vendor, hoping to have to pay only a portion of the outstanding balance and, at the same time, have your service continued. Sometimes such negotiations work; other times, they don't. Such maneuvering takes time and your mailing should have long been out.

You say to yourself, OK, that person knew he was going to have a problem, so why didn't he start the process a little sooner so the mailing would be able to go out when scheduled? The question is logical. If you operated your business in this manner, you were probably trying to resolve a similar situation at an earlier time period and thus not able to think far enough ahead to consider the postage problem. The cycle goes on.

While this example is simple, it is not difficult to extend the circumstances to include situations where someone is unable to make strides because of a bad credit rating. Perhaps, you are unable to purchase the materials you need to complete a major job for a client. Perhaps you can't get a bank loan to expand because of your credit history. Such things delay the possible success of a business and many times, after all the effort, result in causing its downfall.

In defense of some entrepreneurs, I have to say there are times when a bad credit situation occurs through no fault of their own. These people really want

to clean up their record and pay the bills when they are due. They have accepted their situation and realize it is going to take time to accomplish this goal. It may be seven or eight years, instead of five, before the business is where they want it to be. That's their reality, and they live with it.

I know a business owner who was in a similar situation. In many ways I admire her determination. Her doors were open every day, in spite of her lack of finances. It appears that she is finally experiencing success. It took her a while but she had no intention of giving up. Her philosophy was "I'm not going to be stopped by such a simple thing as money."

### **Creative Financing**

Getting back to financing, it is to your advantage to have some money available before seriously considering a new business venture. The important thing is how you manage your money. Let's suppose you have some savings but not enough to get started comfortably. In the scenarios I've discussed, \$25,000 looked like the magic number, perhaps you have only \$10,000. You can still begin with a smaller amount.

Remember, the first rule is to establish good credit early in life. The second rule is to keep the money you have and use another source (O.P.M., better known as Other People's Money) to fund your business. Go to a bank, open a CD with your ten thousand and request a twenty-five-thousand-dollar line of credit, using the CD as collateral. It is better to choose a line of credit because you will pay interest on the amount of money you actually use, as opposed to



## *The Heart and Soul of Entrepreneurship*

being charged interest on a loan for the full amount. Again, provided your credit is good, the bank will probably agree to give you a line of credit. If the bank does not approve the whole amount, it will likely give you some portion of it. Start with what you get and later, when you've repaid some of the loan, go back to the bank and ask to raise your limit.

If your credit is not so good, try the same tactic, but ask for a credit line for the same amount as the CD. Start with that, with the goal of paying it off on time, preferably making monthly payments that are more than the requested minimum. As you pay off this loan you will begin to establish a better credit rating, and perhaps the bank will eventually consider raising your limit. The nice thing about this type of arrangement is that the money you have in the CD is collecting interest that offsets some of the interest you are paying against your loan.

Credit cards can also be useful for borrowing additional money if the bank will not give you a line of credit for the full amount you need; however, you have to be more careful with them. For the last few years, VISA, MasterCard and many others have been mailing offers of very low to zero interest introductory rates to the creditworthy. These rates are less than those charged by banks and usually last for six to twelve months.

Depending upon how long you need to borrow money, you might want to take advantage of these offers. The trick is to keep track of how long you have the special rate and about two months before it ends, switch to another low-rate card, using the new one to pay off the balance on the old card. It takes

approximately one to two months for the transferred balance to be paid off and the new account to be established. Make sure you ask the paid off credit company to cancel your account and to acknowledge the cancellation in writing. Possessing too many credit cards can negatively affect your credit rating.

If you are using credit cards you might be able to make enough interest on the CD to pay the interest on the credit card. In that case the interest becomes a wash. However, it is more advantageous to use bank loans because, in addition to offsetting the loan interest with the interest from the CD, you can usually claim a business tax deduction for the bank loan. Interest on a credit card is not tax deductible.

Financing aside, you should have something saved before you start a business. If you don't have a comfortable amount, you may be able to convince someone, especially a close family member, to lend you the amount you need, especially if the money is placed in an interest bearing CD and used to secure a bank loan. Psychologically, it doesn't feel as though you are actually spending the money when the cash is invested in a CD. The loan arrangement seems more professional than personal and, therefore, less risky to the person making the loan.

Many times borrowing from a family member is not formal and the person just expects you to return the principal with no interest. Repaying the loan along with the interest from the CD adds a nice touch.

## **Keeping Your Head Above Water**

We've talked a bit about initially financing your venture. I would like to turn the discussion to continuous financing, once the business has gotten off the ground. Again, money management is the key. Gene, our florist, experienced times when he had to put money back into the business, but not very often. He learned money management. For example, Valentine's Day was the most profitable day of the year for him; however, he found that he used most of his resources on this holiday and later had to replenish his floral supply. Ahead of time, he had to consider that his stock would be depleted.

Gene considered all of his expenses as he went along. When he made extra cash, he put money in the bank to cover future expenses such as stock depletions and monthly expenses (rent and utilities), which had to be paid during the slow times.

Rob found that he and his partner were able to repay everything they borrowed within five years. He reached a point where he owned all of his printing equipment and wasn't financing anything. Unfortunately, because of technological advances he must upgrade his equipment. The new presses he considered purchasing cost about \$100,000; however, he was in much better shape to request a loan, because he had been in business for several years and had established a good credit rating.

Even with his current level of financial stability, Rob finds that his biggest challenge is making sure his clients are billed on a timely basis. This has always been difficult for him, because he is not particularly

interested in the financial side of the business. He does, however, realize the importance of billing. He knows that in order to remain in business, he must make sure each job is completed, delivered on time and paid for. Because most of his clients are corporate accounts, he bills net 30 terms, which allows the clients 30 days to pay the invoice. With these terms, he must plan accordingly; he cannot overextend himself financially. He has to cover the costs of the materials until he gets paid for the job.

Willie's approach was to set his consulting business up as a corporate entity. He started out small, worked with what he had and plowed earnings back into the business. Now he uses his company's capital to fund the business and doesn't take on any more than the corporation can handle financially. He is the single employee of his corporation. He subcontracts the work he is unable to do. He doesn't rent office space and he uses an answering service to take his messages. When he has a meeting with a client, he rents a hotel conference room, a one-time expense that can often be charged to the client as part of the consulting fee. Willie's philosophy is that he would rather chase business than pay overhead.

You are doing well when you can put aside money for expenses you know are coming up, as in Gene's case. In addition to considering known expenses, I believe you should also save for unknown expenses. As soon as you can, open a separate vehicle for savings. You may not save much in the beginning but, with careful management and a little luck, you will be surprised how much you can accumulate.

## *The Heart and Soul of Entrepreneurship*

Finally, it is most important that you do not mix personal expenses with business expenses. You are doing your business an injustice if you do not, at least initially, put as much of your earnings as you can back into the company's growth.

We now have some ideas about what type of business venture you'd like to try and you've learned ways to finance it. Let's work on developing a market for your product.



## **MAKING THE MARRIAGE: CLIENT AND VENDOR**

### **Marketing Ground Rules**

No matter how good your product is, you must market it. It will not sell itself. You may have a wonderful, extremely useful product, but if no one knows about it, or where to find it, it is dead in the water. Marketing your product is similar to fundraising. You don't get money if you don't ask for it. Similarly, you won't get business if you don't market your product.

I will discuss some of the methods used by those interviewed and, therefore, may not touch on each tool listed below; however, examples of common marketing attempts include:

- advertising in newspapers, magazines and on radio or television
- placing flyers where potential client will see them
- cold calling
- using direct mail
- telemarketing
- scheduling appointments with potential buyers
- spreading information by word of mouth
- promoting your services on the Internet

## *The Heart and Soul of Entrepreneurship*

The type of product you are offering will determine what marketing method(s) you should use. There are two important things to remember about marketing. First, recognize that you have to be involved in the marketing process for the long haul, and that you may not get the business right away. You have to constantly inform potential clients that your services are available, but gently. You don't want to turn them off; merely remind them of the benefits of using your services.

Nona secures clients by telephoning, with the hope of scheduling an appointment. She gets turndowns from people who say they already have a vendor for specialty items or they are simply not interested. She does not let the negative responses stop her. She calls back, not often; she doesn't want to be a pest, but she is persistent. By calling regularly she sometimes find she has called on the right day, and secures a new order or a new client.

Nona recalls a client she contacted for more than a year. He always said he was not interested. By chance, she called one day, and he happened to be looking for specialty items. He told her if she could be in his office in a half an hour, they would discuss what he needed. She met with him and within three weeks she had three orders, each totaling about \$20,000.

Production and delivery went smoothly, so Nona felt sure she had secured a new client who would use her products regularly. However, shortly after placing the orders, her contact retired, and the person who took his place was again not interested. She was back to ground zero but had done \$60,000 worth of business.

Besides recognizing that marketing is a long-term process, you need to remember to market with style. Whatever your marketing tool, you should portray your company as being a large, professional, established firm, even if you are a small, struggling entity. People were always surprised to find out that our placement firm maintained two full-service offices with a staff consisting of only four full-time and a couple of part-time employees. Our marketing attempts enabled us to look like we were a fairly large, sophisticated agency that could serve all our clients' needs, no matter how extensive. Our delivery confirmed the image. Perception, followed by high quality service, is everything.

### **Choosing The Most Effective Marketing Methods**

Cold calling at a company is a popular form of marketing. Try to avoid the purchasing department, if you can. Go directly to the end user. The key to dropping in for a visit is to understand that you are not likely to get the chance to meet with your contact. Therefore, you must always leave something behind that will make the person think of you. For a leave-behind item, you have to use great imagination. You want an item people can use; something that will, you hope, end up on their desks, not in the garbage.

Find a small specialty-items provider, such as Nona's company, to help you select things that are different from the standard, trite items such as calculators, pens and letter openers. Try to find a company that will do its best to get unusual items you like and that will handle production and delivery at prices you can afford.



## *The Heart and Soul of Entrepreneurship*

Once you've left the initial goodie, along with your business or company Rolodex card, call a day or two later, hopeful that your party has received your introductory package and will acknowledge the call. This is your chance to try to schedule an appointment. Your goal is to have a face-to-face meeting, because in reality, people do business with people they know and like. Meeting your contact will give you a better feel for your chances of getting business from the prospect.

Again, don't be discouraged if your suggestion is turned down. Most people are busy and do not want to schedule meetings unless they have an immediate need. The amount of business you think you can get from a client should determine how much time and money you are willing to spend on your marketing efforts. Develop marketing strategies for companies according to their potential. Companies with a small amount of potential should be visited and/or called occasionally. Those you consider to have a medium amount of potential should be visited more often, with a nicer, more creative gift and followed up with a phone call. Obviously, you must develop a stronger marketing effort for those companies you feel will reap greater rewards.

One way to determine how to market is to look at what your competitors are doing. You can then mirror their efforts, or better yet, come up with something original, but of the same caliber. For example, my partner and I discovered that for all major holidays, the large placement agencies gave gifts to potential prospects. The gifts ranged from flowers or expensive food gifts on Valentine's Day or their birthday to tickets to Broadway plays, professional basketball, football and hockey games. Gifts would be

delivered for St. Patrick's Day, the Fourth of July, and Halloween etc. Well, we simply could not afford to send so many gifts, so we came up with a strategy of our own.

We decided that instead of holiday gifts, we would give out seasonal packages. We picked out twenty large companies that used temporary placement agencies and put together something similar to a Care package for each season. We spent about \$25 on each company, per season, for one year. The winter package included perhaps an ice scraper, a sweatshirt, and a pair of gloves. One summer package consisted of a beach towel, pail, sand scoop and pair of sunglasses. Each season we did something different.

After sending personal packages for one year we discovered that seven of the twenty prospects chosen had become our clients. So we continued to give packages to those seven companies and chose thirteen more to try. At the end of the second year we had secured another six or seven companies. We gained thirteen or fourteen new clients from just one marketing strategy.

Other obvious types of marketing include advertising on radio and TV and in newspapers, the Yellow Pages and trade magazines. Direct mail sources come under the same category. Here's a little tip. If you are not good at creating ads, seek suggestions from a local advertising agency. This may not be as expensive as you think. Often the agency is paid by the newspaper or TV station, and it may not cost you more to place your ads through the agency. You might have the good fortune, as I have in the past, to develop a long-term working relationship with your ad agency. Agency art

## *The Heart and Soul of Entrepreneurship*

departments will sometimes help you create excellent ads for a nominal fee.

### **What Works For Our Business Owners**

Gene, our florist, used a very effective marketing technique. He promoted packages in specific price ranges and catered to the economies of the clientele in his area. Because most of his clients were from the surrounding neighborhood, he offered something for \$15, \$20, \$25 and up. He made sure he had something for every need, from the child who wanted to buy something for his mother to the man in the doghouse who wanted to make an impression on his lady regardless of the costs. Gene realized his prices had to reflect his location, although he had seen florists in other areas charge twice as much for an item.

When Nona first started her business, she sent potential clients catalogs of specialty items. She recognized that the thousands of items available could not all be displayed in a single catalog, so she informed her clients she could obtain whatever they saw in any catalog. She kept her promise. Over the years, she has done a phenomenal amount of research and, as a result, has access to almost any product her clients would want.

Omar decided the best way to market his product was by visual means. He constantly went to parties and clubs with sharp haircuts. He gave cookouts and parties and attended one hair show after another. People always asked him who his barber was. He always made sure to have his flyers and business cards on hand.

Omar found that basketball players and boxers began frequenting his shop, adding entertainment and sports figures to his already varied client base. Soon these clients' haircuts were also became a form of walking advertisement. Receiving these additional endorsements gave his business a big boost.

In addition to devising a catchy name for his business and finding a business location on a busy street, Omar did something that truly demonstrates that many small entrepreneurs eat, sleep and drink their business. For a long time, his shop was open from 8:00 in the morning until 1:00 or 2:00 the next morning, seven days a week. No one could say they couldn't fit a hair cut into their schedule.

Omar still attends hair shows. He hasn't advertised in a while and he now take an occasional Sunday off; however, Cut Creators continues to open every Monday, the day other barber shops are traditionally closed. Having been in there on a Monday, I can vouch for how busy it gets.

Willie thought long and hard about how to market his technology consulting business. He wanted to convey the concept that he could help fit the right technology to each client's needs. The premise behind his marketing approach is to recognize that if an item is right for his client, it will sell itself. His marketing style is to become a member of the client's team, and not just another vendor. Willie's strategy is to build and maintain relationships. His approach is to treat prospective clients the way he would want to be treated. He explains that whatever technology anyone wants is out there to be had, so his initial concern is to learn the client's business in order that he can better

## *The Heart and Soul of Entrepreneurship*

determine what will satisfy that client's particular needs. He discusses business rather than technology, with the goal of helping the client fulfill its requirements.

Because Willie shows a genuine commitment to getting things accomplished and he is an outside consultant, not someone involved in internal politics, he is usually able to acquire useful information. After he obtains the contract, he continues to work hard to prove his value.

Willie makes an effort to talk to as many of the people who work for his client as he can, from the top executives to the maintenance people. If someone in the company makes a recommendation that he ends up suggesting to management, he makes sure that person gets the credit for the suggestion. If these individuals are rewarded or promoted, it is likely that as opportunities arise, they will also use Willie's services.

He contends that people decide whether or not to use a service based on three factors:

- 1. They have to perceive the value of what you do.*
- 2. They have to be convinced that you do it well.*
- 3. They have to feel it will be difficult to replace you, whether that's a reality or because they are personally committed to you.*

All of Willie's marketing is based on word-of-mouth. While he is working on a project, he tries to explore other potential needs. He asks the people he works with to recommend him to others. When a project is completed, he requests a letter of recommendation for his files. For him, the key is to do

his very best and to develop additional opportunities while he is there.

Because he strives to conduct business in a businesslike manner, he will only consider projects he believes will be win-win situations. He maintains his reputation and credibility by making sure each client is satisfied. Willie stresses that when you are in business for yourself, you are the “be all and the end all.” Operating under this philosophy has helped him build a solid reputation for his company.

### **Presentation Followed By Excellent Service**

In marketing, remember that whatever you do must have a professional appearance. Everything you develop, from a flyer to a full-fledged presentation package, should be error free. Check and double check for grammatical and spelling mistakes. Especially important is the accurate spelling of people’s names. A person always notices when his or her name is misspelled and, though it may be subconsciously, responds negatively. If your writing and editing skills are less than topnotch, hire a business editor to refine your work.

We are very fortunate to be living in the age of technology and anyone can effectively create marketing tools, from business cards to brochures. With a computer and materials from an office supply store, you can have your own marketing department in your living room.

For a period of time my brother-in-law ran his business from home – the dining room, kitchen and spare room to be exact. It drove my sister crazy, but I

## *The Heart and Soul of Entrepreneurship*

found it fascinating. I once watched him prepare a shipment of food samples. He created personalized labels for each product and printed mailing labels, business cards, letterhead and invoices. The final presentation, produced at home by someone in shorts and a t-shirt, looked extremely professional.

You may still be wondering how you can market your services in a way that differentiates them from similar services. What strategy or promotional tool is going to work for you? Again, look into using a professional service for assistance. If you can't afford this expense, hold a brainstorming session. Gather the same friends you asked to help you come up with the type of business you should start. Sit together and explore marketing ideas. You may have to feed them, this time, but for some pasta and a couple of bottles of wine, you will likely receive a few worthwhile suggestions. Be sure to write down all suggestions, without negating any. Remember that even a bad idea could be the starting seed for a better one.

When your marketing attempts begin to pay off, make sure you treat your clients as if they were gold. Many times you receive new business because someone simply got angry with his prior vendor. Just as the client began using you he can begin using someone else. You must always be fair to your clients and treat them with respect. Remember that selling to your existing clients is more profitable because it's less expensive than searching for new ones. If you recognize what makes your product work and where your business originates, and remember that you will not get rich off of one customer, you are more likely to be successful.

Experience has taught Gene that weddings and funerals are the most important events for a florist. He knows two things about these occasions. One, you can never get the flowers there late, and two, you must give the clients what they want, when they want it. If someone requests a blue ribbon and gets a lavender one, he or she will remember that. If the flowers arrive late, clients will surely remember that.

His work had to make a visual impression; therefore he created arrangements that were not traditional. People noticed his style and designs and they wanted more. His business was mostly word-of-mouth and repeat customers. Gene didn't care whether you remembered his name or not, as long as the flowers left a positive mental picture. His favorite words were "Who did the flowers?" He was very successful in his efforts. Gene did the flowers for both my wedding and my husband's funeral, and although he passed away over a year ago, people still ask me for his telephone number.

Nona treats her clients with the same degree of care and respect. Because selling promotional items is a competitive business, people often ask her why they should use her. She responds that she will do her best to get them what they want, and the job will be done right, at a fair price. Then she follows through on her promises. Most prospective clients, regardless of the size of the business, have to do some form of marketing; therefore Nona makes sure she offers items in all price ranges, from a few cents to thousands of dollars.

Nona has never lost a client because she did a bad job. She loses clients only when her buyer leaves



## *The Heart and Soul of Entrepreneurship*

and is replaced by someone with preferences for another company, or when the client company merges or is purchased. As in Willie's case, Nona believes in getting to know her accounts. She tries to understand their businesses and tries to determine what they can really spend for her service. She seeks out items that fit their specifications and budgets. If something goes wrong in production, she always advocates for her clients and resolves the problem as soon as possible.

Nona also realizes it does not matter whether her client's business is large or small. It is important to build relationships no matter the company's size. She recalls two small clients she served that were both later purchased by large entities. Each referred her to its parent company, and as a result, she became a major vendor for two national clients.

Rob and his partner are fortunate. Their client base is plentiful, they are both kept quite busy and do not, at this point, have time to actively seek more business. While they do not go out to solicit additional printing business, they do consistently place ads in the Yellow Pages. Marketing cannot be completely ignored under any circumstances.

I would be remiss if I didn't point out that in today's technologically savvy world one of the most powerful marketing tools is the Internet. For-profit businesses of all sizes and types create websites or place ads on search engines to advertise and sell their products. Not-for-profit organizations' websites provide the public with information about the services they offer and provide a venue for donors to contribute online. As technology continues to expand, there will

be countless possibilities of reaching the public with your message.

The last point concerning marketing is: don't be afraid to make changes. My partner and I called it "tweaking the business." This term not only applies to marketing strategies but also to managing your business in general. Nothing is written in stone. When an idea is not working, don't continue to do it. *If you do what you've always done, you will get what you've always gotten.* Try something different.



## Chapter V

# COPING WITH GROWING PAINS AND HIRING STAFF

### **You Can't Do It All By Yourself, Or Can You?**

Finding effective people to work for you may be one of the most painstaking processes you will have to undergo, but it is critical to achieving success. When you run your business alone, you are responsible for everything. You establish all processes and standards for getting the work done. You have a large stake in the outcome; however, others may not feel the same way.

One of the most difficult things for me to learn was that not everyone has the same work ethic. Nor are they as meticulous as an owner has to be. Truthfully, I don't know if even now, after running two businesses, I have fully accepted this concept, and I'm definitely not sure if I ever again want to own a business that requires additional staff.

Gene felt much the same way. When he started his floral business it was just him. He purchased the stock, took the orders, made the floral arrangements, delivered them, and paid the bills. He ran his business in that manner for so long that he began to feel that if he didn't perform the tasks, they wouldn't be done right. Gene acknowledged that it was hard for him to find good help, because he wanted employees who would treat the business like it was their own.

On the other hand, Gene recognized that the thing he enjoyed most was creating the arrangements. He wanted to reach the point where he could hire someone who studied business to handle the administrative side of his operation, so he could concentrate on purchasing the flowers and creating the designs. If the business had grown to where he needed to hire an additional floral designer he would have considered a student from horticulture or floral design school.

Rob and his partner are the sole employees in their printing business. His partner's initial responsibility was marketing, mostly cold calling. Rob kept the presses running and took care of the company's administrative needs. They used an outside accountant because neither wanted to get involved in the financial reporting side of the business; however, they made sure they understood what was happening to their money.

They have been in business for almost fifteen years now. Rob still takes care of all the printing, ordering supplies and running the equipment. The routine orders, such as continuous forms, are sub-contracted and he concentrates on the specialized jobs. His partner picks up and delivers, sets type and meets with customers.

Rob spends a great deal of time at work, mostly because he wants to avoid the responsibility associated with hiring a staff. In addition to salaries, the associated costs, such as healthcare and unemployment taxes, can be expensive. He and his partner are currently able to handle the work and pay themselves a decent salary.

## *The Heart and Soul of Entrepreneurship*

If Rob and his partner took on additional business and added staff to handle it, they might be busier, but at a higher cost. The business increase might not result in additional profit. They realize they could grow the business, if they wanted to, but they are not quite sure how much bigger they want it to be. Rob and his partner may eventually take on additional employees, but for now, everything seems to be working out fine. The choice of whether to hire employees and expand the business or stay the size you are and not add additional staff is an interesting dilemma.

For the first six or eight months, Nona ran her advertising specialties business by herself. She later hired an assistant to handle the administrative duties: answering the phone, taking initial orders, handling customer service and assisting with completion of required paperwork for the factories.

The most Nona has ever needed was one full-time assistant. She has, from time to time, hired part-time employees. Her assistant developed a few small clients of her own, but Nona did most of the selling. If she hired additional salespeople they would occasionally need to work in the office. Because her office is in her house, Nona was leery about letting many people have access to her home. Her assistant had a key but the two of them were very close, and Nona trusted the woman completely.

Like all small companies, Nona's business has had its ups and downs over the years. However, she has managed to develop a client base that includes a number of Fortune 100 and 500 companies. Her assistant eventually left to start a family, so Nona

currently works by herself. Having decided just how much business she now wants to handle, she structured it to be a one-person operation. She has an accountant, but she does all the bookkeeping herself manually, not particularly sophisticated, and she likes it that way.

Gene, Nona and Rob own businesses that do not necessarily require a large staff, but what about entities that, although considered small businesses, must have additional personnel in order to function properly?

Many times, if your business is successful, you have to hire staff. Willie suggests that, as a general rule, the most successful method is to hire for attitude and train for skill. People with the right attitude can usually be trained to be good employees.

Willie has been in the technology consulting business for almost fifteen years, and he has structured his business with a good deal of foresight. He believes that you must visualize an end before you can get there, and keeping an eye on the future has helped him control his business.

He has developed models of how to structure his business that are adaptable whether the business is small, medium or large. Because he subcontracts much of his work, he always knows the number of people he has to have on board, based on the size of the projects he is working.

Willie makes it a point to meet as many people as he can who work in every aspect of his field. Because his business requires specific technical ability, he carefully evaluates their skills in an effort to

## *The Heart and Soul of Entrepreneurship*

determine who has the best talent. To encourage people to work for him, Willie always pays his subcontractors as soon as the job is completed. Like Rob, he bills his clients net 30 terms; so many times he waits a month for payment.

Not all companies can subcontract their work. My partner and I soon realized that as our placement agency grew, we would need additional staff. As we gained more clients, recruiting, filling job orders and maintaining applicant files took more time, so we found ourselves in need of assistance to handle some of the administrative and marketing responsibilities. When we opened a satellite office, the need arose to staff that location as well.

In the placement industry, employees are usually paid a base salary plus commission on the income they generate. Early on, we made a strategic decision to develop a structure that offered everyone the incentive to work together, instead of competing. Our outside marketing and recruiting staff received a commission on all business. The percentages of the commissions were smaller than they would have been if everyone got commissions based solely on the business they brought in; however, we found that receiving a smaller portion of the firm's total income fostered a greater team effort and a more conducive work environment.

I have also witnessed this method used with a single employee. Nona could have easily based her assistant's salary on a percentage of the annual business. Obviously, the extent to which the employee contributes to the growth of the business determines

that person's salary. Commissions can often provide incentive and help reduce employee turnover.

Omar discovered that turnover often becomes a key issue. He began by hiring guys from the neighborhood; people he knew were cutting hair in their basements. He soon found he had better results with barbers fresh out of cosmetology school. They tended to stay longer and displayed a greater interest in learning the business, which, in turn, reduced his turnover.

Omar originally paid his staff a percentage of the business. The system did not work well for him, because cutting hair is generally a cash business, with a constant flow of money. Theft became an issue. In addition, Omar found that "shoppers" often tried to coax his barbers to work at other shops by offering them the opportunity to make more money. Omar decided to have his barbers simply rent chairs from him. By being independent stylists, they could develop their own clientele, work the hours of their choice and make as much money as they wanted. He found this method to be a more satisfactory way of doing business.

No matter what your enterprise, hiring staff always carries a risk. Many times you have to try non-traditional approaches to recruiting. If you need help but are not yet in the position to pay a competitive salary, you have to find someone out of the ordinary. Look for people who may be in a position to accept a lower salary, but are smart and capable. Retirees and senior citizens are good bets. Also, if you can't find a full-time employee, look into hiring several part-timers. College students or mothers with school-age children



## *The Heart and Soul of Entrepreneurship*

are ideal part-time employees. You may start out not being able to pay much, but make certain that as your business grows you reward the people who were willing to sacrifice. Everyone, no matter what their financial status, wants to be paid what they are worth.

Willie's general rule goes a long way. When you look for employees, recruit people that have growth potential, people who are a good fit for your company. The mechanics of the work can always be taught. If you make the commitment to your employees of training them well, creating an environment of trust and respect and allowing them to work independently, you will generally receive the best they can give.

### **Choosing The Administrative System That Works For You**

Another consideration associated with growing a small business is determining how to incorporate administrative systems. I've learned through experience to follow the KISS method. Keep It Simple, Stupid. Look closely at what you really need. Depending on the nature of the business, your systems don't always have to be elaborate and technologically sophisticated. They merely have to accomplish the job.

My partner and I managed our placement firm that *generated a million dollars in annual sales* with a copier, a fax machine, a computer and wide-carriage printer for each office. Our software consisted of word processing, database and spreadsheet programs. We invoiced, developed a system for credit and collection, tracked sales and did all our own bookkeeping. An outside accountant prepared our tax returns and financial statements.

Omar purchased a computer program specialized to the salon business. That's right, you can buy packaged program geared toward almost any kind of business. Omar also has an accountant prepare his returns.

Please don't misunderstand me. Many times more elaborate systems are necessary. I pointed out that the idea is not to get bogged down with technologically advanced systems. Start with simple ones. As your business grows and technology becomes more highly developed you can graduate to more sophisticated systems.

For example, my partner and I required each candidate to come in to our office to fill out an application. We used the computer to create a database with general candidate information and a spreadsheet to determine the amount of business we were generating. Today the temporary and permanent placement business has become much more dependent on the Internet. Now much of the recruiting and completion of applications is done online.

You may have to "tweak" your systems as you start to grow or you may not, but remember, a sophisticated system is as likely as a simple one, to become obsolete in three to four years.



## Chapter VI

# LEARNING VALUABLE LESSONS

### **If You Knew Then What You Know Now**

If asked, every business owner can share with you something he or she would not do again. And if they reflect on it, they can also probably reveal the single most important thing they have learned and determine their biggest personal sacrifice.

When Gene spoke of his floral business, he said there are two things he would not do again. He would never again involve his or his girlfriend's family in the business. He would entertain the idea of a family-operated business only if a young child in the family showed an interest or aptitude. This child would grow up in the business and could be trained correctly, from beginning to end, at an early age.

The second thing he would never do again is photograph his work. He said if people are shown a sample, that's what they will expect. He recalled an incident when a woman requested a floral arrangement she had seen in a photograph, but she wanted it in a different color. He reproduced it, but the person for whom he did the original arrangement happened to see the reproduction and was extremely upset. She told him in no uncertain terms, that she did not appreciate the duplication. Gene learned that people take the

originality of their arrangements personally and do not want to see them reproduced anywhere else. From that point on he preferred to start from scratch. That way he did not repeat his work.

The most important thing Gene has learned is discipline. Certain things must be accomplished at specific times. Business matters must be handled in a businesslike manner. When people are paying money, they expect a service. If a friend has tickets to a concert featuring your favorite artist and you have not finished your job, you have no choice but to give up the concert.

The most difficult thing for Gene was to do was to dispel the myth that the customers are always right. They aren't. He says you have to educate the public to the fact that you are only human. Many times people come in with the attitude that if they are paying you, what they say goes. It is important to understand that you simply cannot accommodate everyone, and you must realize that money is not always the deciding factor.

Rob has learned you have to be nice to people. He tries to treat his customers well, because they can always take their business to someone else. At the same time, he knows that he can't always please everyone. His philosophy is that if he does his best he will not run into too many problems. Experience has taught him if the situation becomes too difficult to resolve, he probably did not need that person's business to begin with.

Like Gene, Rob also says that you have to be extremely disciplined as far as work is concerned. What

## *The Heart and Soul of Entrepreneurship*

drives him on is the fact that he has a family to support, a responsibility that has had a definite impact on his work ethic. He believes that if he had been single and had less responsibility, he may not have been as driven to succeed.

For Rob, the most difficult thing was overcoming his fear of failure. He comes from a blue-collar background. He did not grow up in a family business. He learned it from the bottom up, by working more than a dozen jobs in printing after he left high school. He had to remind himself constantly that his business was going to be a success.

In retrospect Rob now feels that one thing he would not do if he were starting his business over again is borrow such a small amount of capital. He would definitely seek additional financing. He simply did not have enough working capital for his start-up. On the other hand, now that it's all paid back, he realizes that if they had borrowed more money, they might have been in debt for a much longer period of time.

Your comfort level with debt is a delicate balance and a hard one to determine. Only you can decide how much debt you can comfortably handle.

Omar has learned that a barber is much like a psychiatrist. When people get in the barber chair, they tell you all their problems. He has gained a greater level of sensitivity to people. Many times young men ask him how they can start a business. If he thinks they are sincere, he does what he can to help them, even if it's someone who will eventually want to own a barbershop. He is not afraid of competition.

Omar says he would never go into a partnership again. He acknowledges that he was lucky, and the partnership allowed him to get started in business. He learned that in addition to growing the business, which in itself requires a tremendous amount of energy, he and his partner also had to deal with their personal relationship. If you can, he says, it is much simpler to go into business by yourself. He is also emphatic that he will never own a beauty parlor again. He wants to limit his dealing with female clients. Men are satisfied with a decent haircut. Women are far more demanding.

Another issue Omar contends with is that he has to constantly be conscious of the problems associated with owning a business in the inner city. He feels he is living dangerously, even though he is doing nothing illegal. He still has to deal with the anger and lack of respect in the streets. He is often approached with comments like, “Hey, man, I heard you’ve got Fort Knox here,” or “You’re so lucky. If I were you, I would...” He is a constant candidate for confrontation, because of street law and jealousy among his peers. Unfortunately, many inner city youths feel they shouldn’t have to work for what they want; they can simply take it. Like other young people struggling to succeed in such an environment, Omar sometimes questions his own life expectancy.

When reflecting on what experience has taught her, Nona stresses that the one thing she will not do again is submit a bid. She found that after spending a great deal of time and energy doing all the research and other work necessary to submit bids, along with ten or twenty other vendors, she usually had nothing to show for her effort.

## *The Heart and Soul of Entrepreneurship*

The specialty items business allows her the flexibility of making the choice not to compete in the bidding process, because she is not limited to a particular size or type of client. Her product is generic. However, in certain types of businesses, the bidding process goes along with the products, and in those cases, you have no choice but to contend with making proposals because that's how you obtain your clients.

Nona found the most important thing she learned as a small business owner is how to manage her time and hold herself accountable for everything. She personally signs off on every order. If something doesn't go right, she's the one responsible. The buck stops with her. If clients send her artwork that is correct but do not get back what they asked for, she has to fix it. Because she knows she is the one responsible, Nona has learned to be very careful and detail oriented. In all the years she's been in business, she can count on one hand the number of times she has experienced a problem with a client's order and usually the mistake was made by the factory.

Nona has been working in her line of business for so long that when something is wrong she tends to get an odd feeling or experiences edginess. Because of her second sense, she is usually able to catch a problem or mistake before it becomes an issue; however, when things go to a factory for production, many people handle the order, from the order-entry person on down. Consequently, mistakes can occur anywhere along the production process.

Although some people find working at home difficult, Nona thinks it's the ideal situation for her. She has self-discipline, while others may be distracted by

outside influences such as television, or may stay in their nightclothes all day.

Nona does not have these problems. From the beginning, she has gotten up each morning, dressed in heels, make-up and a business suit, gone down to her office in the basement and stayed there for eight hours. She comes upstairs only for lunch or if she has a business appointment. She found that she works all day because she puts herself in a business frame of mind. Conducting business while being dressed for it works to her benefit, because at times she has to respond to unexpected demands. Remember as was mentioned earlier, a prospect requested she be at his office in a half an hour? Imagine if she had to shower and dress before going to her impromptu meeting with this potential new client.

The most difficult thing Nona had to adjust to was silence.

When you work in an office with other people, you are used to things going on around you. Working by yourself is different. There is no one to talk to and little other activity exists. Nona solved the silence problem by getting a portable radio and playing it low. This, at least, provided additional sound.

Nona feels the main pitfall or challenge facing an entrepreneur is to stay focused on the task and not get bored or frustrated. When things get overwhelming for her, she forces herself to stop and take a break from what she is doing. Some situations require that she get away for the whole day. She says that you sometimes have to go with the flow. Things are not always going to happen on schedule; therefore,



## *The Heart and Soul of Entrepreneurship*

flexibility is a must. Her philosophy is that somehow everything will all work out. Tomorrow will be a better day.

Willie states that one of the most important things he learned is that your level of persistence is a measure of your belief in yourself. He strongly believes that entrepreneurs should spend time thinking about what it takes to make the business work and then move in that direction. People and situations will show up. The main thing is to believe in your business.

Passion is a most important factor; you have to be on a mission. And you have to go into business for the right reasons. Making a lot of money and not having to work for someone else are not always the sole reasons for becoming an entrepreneur. Most successful small business owners do not become millionaires, and if you are involved in a service business, you most certainly are working for and must answer to someone else – your clients. Entrepreneurs generally work much longer hours than they ever did when working for a salary at a company they didn't own.

Willie says you must possess the courage to deal with uncertainty. You have to do what you can to develop your business and remain aware that most worthwhile opportunities are accompanied by hard work, so embrace the work when it comes. He says you must remember, above all, to recognize that no business is so important that you can neglect taking time out for yourself. Like Nona, he believes getting away from work for a while provides perspective and encourages renewed commitment.

While Willie acknowledges that most people go into business partly because they want to have control over their lives and income, he also suggests that entrepreneurs accept change and be flexible. Successful business owners don't define themselves by what they do but rather by who they are. He believes those who learn to take risks when they are young are open to growth throughout their personal experiences, including their entrepreneurial attempts.

Willie recognizes that people always do their best when they are allowed to be themselves. The key to success is to find situations that let you do what comes naturally to you. He chooses to work on projects that are challenging; ones that stretch him, in order to gain experience with different situations, yet still allow him to remain true to himself and his values

Personally, I think the most important lesson a business owner has to learn is to prioritize. Recognize the critical things that need to be addressed and know in what order they should be accomplished. Determine what won't get done unless you do it yourself, and what tasks you can delegate. Beware of getting too comfortable concentrating on a particular function of the business when you know you should be doing something else. For example, if your strength is marketing, don't continue to do data entry, telling yourself there is no one else to do it and putting off the much-needed marketing. Devise a way either to delegate the data entry to someone else or spend some time doing both.

## **Making Personal Sacrifices**

Everyone interviewed agreed that giving up our time was a major sacrifice. For Gene, “The job was over when the work was done.” Plain and simple. At times he wished that he worked for someone else, so that more of his time had been his own. When customers came into his store, he had to accommodate them, regardless of the time. The only occasion he found he could use an excuse was if he had to create floral arrangements for a funeral. People tended to be more flexible under those circumstances.

Both Rob and his wife realize that he doesn’t spend enough time with his children. They are usually asleep when he leaves for work and are getting ready for bed when he comes home. He recognizes he is missing the early years of their lives and doing so is a sacrifice.

Like Rob, Omar’s does not spend as much time with his family as he would like; however, he states that it is much better now than when he first started the business.

Willie also regrets that he is not able to spend more time with his family. He hopes that one day his children will recognize and understand he was trying to build a foundation for them.

While running my personnel agency I recruited and placed candidates at job sites and maintained client relationships during the week. Many times I had to go into the office on the weekend to take care of the administrative tasks. Because I was single and did not

have any children, this schedule was not as problematic for me as it was for the interviewees with families.

In addition to sacrificing time, many entrepreneurs also make financial sacrifices. My partner and I did not pay ourselves a salary for the first two years. In my case, I was fairly fortunate in that I could draw on some savings. I was able to take a part time job, and I am very good at budgeting. Most people cannot manage without having a weekly or bimonthly paycheck. For a couple of weeks OK, but living for months or years without a paycheck is not an easy chore. While you might be able to draw a salary out of the business, the amount may be minimal. A financial belt tightening is still required.

There are the obvious drawbacks to having little money to work with, but just as important are the psychological side effects. If you are single, the lack of cash flow may not appear to be so critical, but if you have a family or are living with someone, it becomes a little more difficult. Rarely will you go without feeling that you're not contributing your share to the household expenses. Your mate may be supportive of your efforts, and you may very well be living up to the agreement you both made with regard to the expenses you would cover during these lean times; however, it is still possible that you might overhear your significant other comment to a friend about being the breadwinner of the family, or state how hard he or she has to work to make ends meet. Remarks like this can be painful to deal with. Under these circumstances, you have to be attuned to others in your life and, perhaps, compensate them in non-financial ways whenever possible.

## *The Heart and Soul of Entrepreneurship*

During the period of low income, you have to draw on your determination and belief in yourself. Most assuredly it will take time, but eventually your business is going to be successful, and that's all there is to it!

### **How Do You Measure Up?**

One of the most important lessons entrepreneurs must master is how to assess their strengths and weaknesses honestly. What is the real value you add to your business? What do you do best? What are the aspects of the business you don't do well or are not particularly interested in? What is your management style? Do you function well in a partnership, or should you be a sole owner? How flexible or open to change are you? What is your real level of commitment to your business?

For example, I know I am good at managing the administrative side of any business. Although I have become better at it over the years, the marketing/selling aspect does not particularly attract me. My preferred approach will always be to hire sales and marketing staff in order to have a good mix of talent.

One of my shortcomings is that I do not have the patience to explain things several times. I work much better with people who pick things up quickly and do not need a great deal of supervision. Because of this style, I make a much better indirect manager with someone else responsible for direct supervision, or I need to own the type of business that does not require large staff.

Once you answer these questions, you can determine how you will contribute to the success of your business and the areas where you will need help.

**THE FINAL FRONTIER:  
PERSONAL SUCCESS AND  
GRATIFICATION**



Success is measured differently, depending upon who is doing the measuring. For Gene, success was being able to provide a service, doing what he liked and getting paid for it. The customer was happy, and so was he. To that extent, he felt his floral business was a success.

Gene knew that a successful entrepreneur must constantly be attuned to people's attitudes. A continuous blend of personalities must be created, the business owner's with the clients. Sometimes you must appear to be wrong, when you know you are right, merely to please the customer. On the other hand, he advised that you must be able to convince people, artfully and skillfully, when they do or do not need something they think they want.

Gene's personal fulfillment came from creating the floral arrangements. If he had been wealthy, he would have had a big florist shop and created arrangements for free. Although he learned the floral industry and established himself as a neighborhood entity, he always wanted to take his business to another level. His dream was to have several corporate accounts, because he could be more creative with his designs than he could when serving the neighborhood

clientele. With corporate accounts, cost is not necessarily the object, so he wouldn't have been restricted in his creations. He could have showcased his talents, while continuing to grow and develop his skills.

Rob's company enjoys some growth each year and, to that extent, he feels his business is successful. It is not his plan to become a millionaire. His personal satisfaction comes from being in the position to do what he wants: work for himself, perform the kind of work he enjoys and support his business and family. He thinks he will retire from the printing business one day. He does not want to do anything else and does not plan to ever work for anyone except himself.

Early on Nona's measure of success was making money. Now, what makes her day is seeing a satisfied client, a repeat client or a referral from a pleased client. She prides herself on her ability to convince people she will work hard for them and that they can trust her judgment. Rising to the challenge or task at hand is her true measure of success.

She gets her personal satisfaction from doing a good job. Nona thoroughly enjoys what she does, and it gives her the opportunity to meet many people. She doesn't always think in terms of dollars and cents as far as payment is concerned, because many times the items are small and inexpensive, so she doesn't necessarily earn much on one particular order. She derives her pleasure from concentrating on finding the unique item that makes the client say, "YES! This is great. This will work for me."

Omar says he is successful simply because he was able to overcome the street life and open a



## *The Heart and Soul of Entrepreneurship*

legitimate business. His business has long passed the three-to-five-year mark and is doing well. He makes sure all of the necessary licenses and other paperwork are always up to date. His salons are kept clean, have the latest equipment and he is debt free. Omar has opened many older people's eyes concerning the younger generation's ambitions. He has developed a clientele that includes many professionals and he knows just about how much money his business will generate every week. How many young people can say that?

Omar's personal gratification comes from being able to raise his family in pleasant surroundings. He sees himself as a crumb trying to become a whole piece of bread. He doesn't mind the sacrifice because it keeps him busy and causes him not to get too relaxed. His contention is that when you relax too much, you lose what you have.

He does, however, acknowledge that he couldn't have done it by himself. He says that if you try to do the right thing, there are always people who will help you. For this reason, Omar finds ways to give back. The kids in the neighborhood love coming to the shop, and he hopes to have a positive influence on as many of them as possible. He regularly does things such as purchase a block of tickets and takes some of the local children to the zoo or other activities that will expose them to different environments.

Willie also advises potential entrepreneurs that you can't do it alone. At some point, you are going to have to rely on other people, whether they are employees or simply contacts you've made along the

way. You can only hope that whatever they do is done right.

Willie defines success in two ways. First, if you are getting paid for what you do, then you are probably doing it right. Second, being successful is leaving the world as a better place than you found it. Success allows you to have an impact and do something for someone else. Willie receives his greatest satisfaction when he makes a donation to a scholarship program or writes a check that will allow a disadvantaged child to go to summer camp.

I tend to agree with my counterparts with regard to how I define success. Being paid for the service you provide and being able to cover your business and personal expenses, as well as supporting your chosen charitable contributions, are major accomplishments. However, my personal definition of success goes a step further. I believe you should also be in the position to do one more thing, save money. Ideally, you should establish vehicles for both your business and personal savings. The important thing is to put money away. Start creating the foundation for personal wealth, which gives you the power to make further strides and accomplish more. Saving money regularly has been a continuing goal, which has allowed me to meet many of my life objectives.

The gentleman who taught me the placement business always said, "Ninety percent of winning is being there." This statement has grown to have two meanings for me. He was saying if you stay in business long enough and gain a good reputation, clients will seek out your services. They will use you because they are upset with their current vendor. They will use you

## *The Heart and Soul of Entrepreneurship*

because someone else referred you to them. They will use you because they are new to the area and saw your ad in a newspaper or trade magazine. Whatever the reason, persevere, and you will generate business.

I personally took his statement literally. For me, it means that to win, you have to be there physically. Make sure someone is physically in place to attend to a potential client's need when the first inquiry is made. Establish hours of operation and be responsible enough to be available when you say you will be, without answering machines or "Gone Fishing" signs on the door. The point of both interpretations is that in many instances you will get business merely by being accessible at the right time.

I mentioned earlier that life is a process of establishing a goal, achieving it and then setting another one. I derive my personal gratification from doing those things. Simply stated, owning a small business allows me to reach my personal goals. If and when it no longer serves this purpose, it is time for a change.



## Chapter VIII

### REACH FOR THE STARS

So far, I've discussed entrepreneurs who started businesses that remained relatively small. These businesses allowed their owners to make a comfortable living; however, they had to struggle along and their businesses required full-time personal involvement. What about the person who started out small and grew his business into a national or multimillion-dollar entity?

Potential entrepreneurs can reach for the stars. Ken, a gentleman who began like our other entrepreneurs, is now wealthy as a result of his endeavors.

Ken graduated from college with a degree in accounting and began working in that field, but he always had an entrepreneurial spirit. He recalls that at age fourteen, he built up a successful lawn mowing business.

While Ken was visiting a friend, the discussion turned to becoming partners and starting a business. His friend's father was the president of a major wholesaler, so they decided to start a retail business selling women's handbags. With money Ken borrowed and capital invested by his friend's family, they began

## *The Heart and Soul of Entrepreneurship*

their partnership. His partner managed the operations end of the business, and because of his accounting background, Ken became the CFO (Chief Financial Officer). The business grew over the years, and they raised money through a secondary offering, thus acquiring additional investors. Ken and his partner expanded the business to selling women's shoes.

As time went by Ken realized although he was good at accounting, he didn't like being an accountant. When he and his partner decided to sell their business, Ken began working as an accounting recruiter for an executive search firm. He liked the idea of recruiting because it was a cause and effect business. There was no limit to the amount of commissions he could earn, based solely on his abilities and efforts. His accounting background was an asset. He was, however, weak on the sales and marketing side of the business. To compensate for this weakness, Ken committed to reading at least two business books a month to strengthen his sales and marketing skills and read "Business Week" and the "Wall Street Journal" to keep up with current business knowledge.

Before long Ken was generating more placements than anyone else in his office and was promoted to manager of his branch. He soon found himself opening additional, larger branch locations for his firm. His employer made it clear that he was being groomed for the position of president; but Ken had other ideas. He left the executive search firm and started his own accounting placement agency.

Ken funded his new business with his own capital and quickly expanded by opening two additional branches. It was during this time that Ken and I were

introduced to each other by a mutual acquaintance, another recruiting business owner. Ken later purchased my business, increasing his number of locations to five. He then proceeded to sell his business to a larger firm, where he did assume the position of president. The acquiring firm was financially positioned to grow its business. Ken traveled throughout the country, opening over one hundred offices and making a lot of money in the process. In his mid-forties, he left his position as president of this national company, an independently wealthy and still young man.

He continued to cash in on his Midas touch. Ken has started another small placement business, which he plans to expand. He has also become involved in real estate development. While attending a fundraiser at his daughter's school, Ken met a gentleman who recently sold his business. They were both seeking potential projects. A business contact introduced them to a contractor and they funded a low-income housing project. After funding the housing project, Ken was approached by a developer who convinced him that he was in a position to invest in larger deals. Ken now invests in huge multinational real estate development projects ranging from luxury hotels to a parking lot that operate like a condominium, where people purchase their parking spaces. He travels throughout the world, often in privately owned jets, to investigate potential investments.

During my last conversation with Ken, he told me he was having a yacht custom built and was planning to hire a personal instructor to teach him sailing. He is a classic example of someone whose aspirations to become an entrepreneur far exceeded his expectations.

## *The Heart and Soul of Entrepreneurship*

When asked to comment on the topics discussed with our other entrepreneurs, Ken's remarks were similar to those interviewed. He found his initial lack of marketing experience was the hardest thing to overcome, especially when he started working at the executive search firm. He attributes his success in the placement business to strengthening his marketing skills and then developing a multifaceted marketing approach that included telemarketing, producing direct mail pieces that targeted a specific industry and prospecting direct sales from a specific potential client.

Ken found telemarketing particularly challenging. He sharpened his skill on the job by setting a goal of making 50 to 100 calls a day. He devised responses to every potential objection that could arise and adopted an attitude of "I will only make a mistake one time and will not be caught off guard twice."

Producing direct mail pieces targeted to specific industries is self-explanatory, so Ken went into more detail about developing direct sales from a specific prospect. His approach was similar to that of our technology entrepreneur, Willie. Ken says he made it a point to constantly read about business, so he could discuss trends with prospective clients. He stresses that listening is most important. By asking probing questions and listening to the response, he was able to identify specific needs and determine ways to fill those needs, thus improving the client's productivity.

When asked if there was something he definitely would not do again, Ken said he would never repeat the mistake of over leveraging a business, meaning he would not go deeply into debt again. He says that when you build or expand your business by

relying heavily on debt, you close the door to other strategies, which conflicts with growing a healthy business. Ken and his partner expanded their pocketbook business to include selling women's shoes. They went into debt to increase the size of their facility and purchase inventory.

When selling women's shoes did not prove a profitable venture, Ken and his partner found their business over-expanded and their merchandise over-bought. They had shoe inventory that was difficult to sell, and when they did sell it, they found themselves with a larger facility than they needed to continue running their pocketbook business.

Because of Ken's accounting ability, they were able to work out payment plans and meet creditors' expectations. They eventually got out of debt and later sold the business; however, Ken acknowledges that they went through extremely difficult times and he would never again want to find himself in a similar position.

He says the most important thing he has learned is that an entrepreneur must possess a tremendous amount of focus and drive. He suggests that a business owner should be absolutely certain that he prefers working for himself more than working for someone else. The chances for success are better if you are totally committed to and engrossed in what you are doing. The risks are high, but the rewards can be high as well.

In Ken's opinion, the major pitfall entrepreneurs experience is not adapting to what's happening around them. Business owners must



## *The Heart and Soul of Entrepreneurship*

constantly measure their business's performance daily, weekly, monthly, quarterly and yearly. They must have a flexible budget and not define their objectives too far out. Reasonable goals must be set that are attainable in a reasonable amount of time with benchmarks. Short-term wins make for achieving long-term objectives. He says it is important that entrepreneurs celebrate the wins to reinforce the self-confidence needed to meet long-term objectives.

Ken acknowledges that the major sacrifice entrepreneurs must make is to allocate the appropriate amount of time required to ensure success. They must recognize there are definite tradeoffs. While his competitors were at the beach or golf course on the weekend, Ken was in his office getting the edge on them. He shares my work philosophy that Monday through Friday was spent on business activity and the weekends on research, accounting and other paperwork.

Ken defines success as experiencing self-fulfillment by setting and achieving goals. He agrees with Willie that being successful creates the responsibility to give back. Ken believes if you consider yourself successful, you must recognize that you have a responsibility to the people around you, such as your employees and members of your community, and that responsibility must be taken seriously.

There you have it: words of wisdom from a successful entrepreneur who reached for the stars and achieved his goal.

## Summary

Well, what have we addressed? We talked about the fact that the business you choose must fit your personality. It must be something that 1) you enjoy doing and 2) allows you to be yourself. We have discussed determining who your potential customers are and researching whether you have a viable product or service. We've also looked at how to finance your venture, from start-up, through daily maintenance and growth periods. While \$25,000 appears to be a comfortable start-up amount for a business, it is possible to do it with less. Sometimes much less, sometimes more, depending on the type of business.

We've gone over marketing strategies to capture and keep clients; and issues that result from growing your business, such as hiring staff and developing administrative systems. We've examined reaching your goals and experiencing personal gratification. Lastly, we've followed the career of an extremely successful business owner and recognized that the potential for becoming wealthy from your ventures is not completely beyond possibility.

My final comment is something we've all heard many times before. Don't take yourself too seriously. Recognize that you're human and things are going to

## *The Heart and Soul of Entrepreneurship*

go wrong. Learn from mishaps and move on. Do what you have to do, but try to have fun along the way.

I will end with a quote I wrote down several years ago and never forgot. Tom Peters, a well-known business/management guru and practitioner said, “Business is serious stuff. Hogwash. Business is part of the human circus. About reckless tries, unbridled passion.”

Are you ready to take a stab at entrepreneurship? *Unleash your unbridled passion and go for it!*

## About the Author

After a short career in Corporate America, Brenda decided to venture out on her own. Her first business was a gallery where she restored and sold previously owned furniture. With a partner, she later founded, owned and operated a temporary and permanent placement agency specializing in providing accounting and finance personnel.

Brenda's career path moved towards not-for-profit when, in memory of her late husband, she founded the Sherman Hargroves Educational Support Fund (SHESF), a 501(c)(3) organization that provided encouragement and financial support to students with average grades from low-income households who were attempting to earn a college degree.

In addition to serving as Executive Director of SHESF, she also began providing consulting services to other not-for-profit organizations and small businesses. Her experience includes youth/adult entrepreneurship program development and training, program development, writing grant proposals, business plan preparation, fiscal management (budget allocation and financial software training), program/business start-up, event planning, program

## *The Heart and Soul of Entrepreneurship*

or project administration and design/development of marketing materials.

Brenda believes that not-for-profit organizations should be managed like a business. She relies on both her corporate experience and her entrepreneurial expertise to assist not-for-profits and small businesses from start-up to meeting their goals and objectives.

Brenda has an undergraduate degree from Douglass College, New Brunswick, NJ, and an MBA from Rutgers University, Newark, NJ. Her interests include creative writing and literacy training. She has published two articles: “*Successful Business Ownership Means Knowing Yourself*” for Garden State Woman, Long Valley, NJ in December 1999 and “*Garage Sale: Treasures or Troubles?*” The Independent Press, New Providence NJ in October 1997.