

Starting a Small Business – by Dan Sautner

Congratulations! You've taken, or are about to take, one of the steps that will change your life. Most people who work for themselves will tell you their worst day being self employed is better than their best day as an employee. The difference is based upon the idea that the accomplishments are yours, and yours alone. Think back to something great you did as an employee. Will anyone aside from you remember this accomplishment in a few years? It's like writing your name in sand. In contrast, if you serve up a winner in your own shop, the story's still yours.

Starting your own business involves making thousands of decisions. Issues such as telephones, the number of visitor chairs and stationery supplies get mixed up with inventory suppliers, advertising budgets and employee numbers. Separate the decisions from the important to the insignificant, and the potential mistakes from the annoying to the fatal.

One example of this is when a person first gets into business, he tends to think more about his image than he will ever again. New owners spend enormous amounts of time choosing the right logo and then lease the first retail space they look at. The worst mistake in choosing a logo may mean that you have to reprint your business cards, stationery and advertising material. This can be annoying, but most companies can live through this. If you make a mistake in your location, though, you may have doomed your enterprise to failure. It's very difficult to recover from this kind of mistake. In the rush to get started, these two decisions get mixed up with a hundred others seemingly equal importance. They're not, however.

Certain guidelines can help the new owner make decisions and understand the impact of making the right decisions. By grouping similar types of decisions together, it's possible to allocate priorities to them as well.

The first and most important rule is to conserve your capital. While it may be best to have four visitor chairs for your expected level of business, buy two now and two later. Sure it may cost a few extra dollars, but you maintain more flexibility by having this investment in the form of cash.

When many people first get into business, they've just left a large company who'd been in business several years. The company probably had a certain look and style to it, and in order to gain any success the new owner may feel it necessary to duplicate that image. Remember, though, that the company has many years in business behind it and that image is too expensive and difficult for someone new in business to emulate. It's almost impossible to hide the fact you're new in business. Buying expensive furniture, exotic leasehold improvements and lots of equipment won't make you look established. Instead, turn being new into a strength. Give the impression you're the new kid, hungry for the business, and are lean and mean in your pricing. This will sell as much service and product as the expensive capital approach. Save your capital for when it'll really count.

The next rule is to protect your overhead expenses. Every time you make a long-term commitment to leases, employees, equipment purchases and loans, you're reducing your future flexibility. You aren't just spending current dollars, but future ones as well. When these expenses are unrelated to volume, it's especially dangerous, since they'll be there regardless of your level of sales. It's impossible to start a business without taking on fixed expenses, but these decisions have to be taken

seriously. Consider them long and hard.

Always work on ideas, projects, products and services that'll generate cash and sales in the near term. Try not to get involved in activities that are useful in the long-term business development but won't deliver business tomorrow. For instance, it's important you build long-term relations with customers, but it's more important you find someone who will give you money next week. This usually means using marketing techniques that drive a buying customer through the door today. Also avoid the pitfall of reducing your fees because a customer promises he'll bring in friends and neighbors and large volume purchases in the future. Give a rebate after these volumes show up.

Avoid the pressure to act "right this second". Suppliers, landlords and potential employees all try to create a sense of urgency when they're dealing with you. However, relatively few decisions have to be made on the spot. Take your time and examine how this decision affects the way you're going to make money. Be very careful of deals based upon volume. Only buy what you'll need in the short term - inventory you can sell in the next 90 days and services that are critical to today's success. The rest can wait. Sure it's cheaper to buy a year's supply, but make sure you can get through this year. It's always more likely to do this if you keep assets as liquid as possible.

It's important to lose the attitude that you aren't meant to make money in your first year. If not then, when? Always remember that to stay in business, you must be profitable. No other agenda can be considered. Focus on making a profit. All too often situations exist where people are content to generate volumes of sales, with little-to-no profit. The old phrase of "What I lose in price, I make in volume" is only true when you haven't lost the ability to make any profit. Remember you're in business to make money, not just handle it.

Finally, understand the relationship with the customer. Ultimately, you and your business sit on a three legged stool. The first leg is based on a product or service that customers want, need and will purchase. The second leg is founded on providing this product and service at an affordable price. The third leg provides the balance, and requires you make a profit while providing this service and product these customers want, and can afford.

Your business has to be sitting on this stool every day, month and year it exists. While you can unbalance it, the time period has to be short or else it fails. You cannot try to provide a product unless people want to buy it, and you cannot price it beyond what people can afford and what it takes for you to profit.

When making decisions about where you want to be and go in your own business, consider the ideas here. These simple pre-cautions, mixed with your enthusiasm and drive, will go a long way in establishing you and your business as the next success story.