

Getting Started



Millions of people start their own businesses every year. Possibly you've already started yours, or you're giving it serious thought. Whatever the case, many skeptics may try to scare you with the statistics on how many new businesses fail every year, how hard you'll have to work, and how long it will take before you show a profit. But, if everyone listened to the skeptics . . . John Michael Kohler would not have started Kohler Company, Paul Wellborn would not have expanded Wellborn Cabinet, Inc., and the seven Jacuzzi brothers would not have started the now multiproduct Jacuzzi, Inc.

Learning Objective 1: Compare the pros and cons of owning your own business.

Learning Objective 2: Compare your personal leadership traits to the traits and characteristics listed in the chapter.

Learning Objective 3: Review the entrepreneurial innovation assessment and define your personal strengths and weaknesses.

Learning Objective 4: Recognize the characteristics of failed and successful entrepreneurs.

Learning Objective 5: Analyze common mistakes to avoid as an owner/manager of a business.

Pros and Cons of Owning Your Own Business

Pros

- You are your own boss. The sky's the limit.
- You can prove yourself.
- You will have a hand in all aspects of the business.
- You will be able to take pride in promoting and marketing your own business.
- You will be in control.
- You will have creative freedom.

(continued)

- The more the company makes, the more you make.
- You cannot be fired, laid off, or forced to retire.
- You will have the ultimate satisfaction of knowing you started and ran a successful business.

Cons

- There is no guaranteed paycheck.
- It's all on your shoulders.
- You cannot please everyone.
- You will work harder and longer than ever before.
- You will assume the risk of investment.
- There will be constant stress and pressure.
- You will have to adhere to all the laws and regulations.

DO YOU HAVE WHAT IT TAKES?

It All Starts with an Idea

At some point it hits you that, like so many others, you could own and run your own business. You want to step out on your own and take control of your work and financial future. You are confident that you have what it takes to buck the odds and succeed. You also know that owning your own business comes with risks.



Mrs. Fields Cookies

- 1/4 cup Passion
- 1/4 cup Perfection
- 1/4 cup Perseverance
- 1/4 cup People

Business Success

Debbi Fields Rose, the founder and owner of Mrs. Fields Cookies, had her recipe for success called "the 4 P's." Mrs. Fields defines each "P" this way:

- **Passion.** You have to absolutely and passionately love what you do. In your case, you will have to love designing and selling kitchen and bath (K&B) projects. Never go into business if your first priority is to make money. Money will be the by-product of doing something you love and doing it well.
- **Perfection.** You must constantly strive for perfection because, for your business to succeed and have staying power, you have to do it better than anyone else. Stay focused on constantly improving while stamping out mediocrity.

- **Perseverance.** Stick with it. You'll need guts. Guts to start and guts to believe in yourself. Guts to take on many challenges, guts to face failure, and guts to stick it out.
- **People.** No business can succeed without its greatest asset—people—no matter how good the products and services are. You're not designing and building kitchens and baths, you're helping turn dreams into reality. To achieve this, you will need a team that loves designing, selling, and installing dream projects as much as you do.

Four Keys to a Successful Kitchen/Bath Business

Business Foundation

1. A qualified entrepreneur
2. A researched business opportunity
3. A detailed written plan
4. A sufficient capital fund



Put all four of these together and you have a wonderful chance of success in owning and operating your own business.

Evaluating Yourself

While it is true that starting and running a business is difficult, it's successfully done all the time by many individuals and partners who have built both large and small K&B businesses. You probably know some of these people. If not, you can meet them by actively participating in National Kitchen & Bath Association (NKBA) chapter events or those of other associations. Develop networking opportunities for yourself: Introduce yourself and ask questions to learn what others' keys to success are.

Would You Hire You?

If you've just begun to think about starting your own business or you've been running one for a number of years, you might want to determine if you are the right person for the job.

The position in question is one of being your own boss and running the whole show, which includes bookkeeping, sales and marketing, customer service, supervising employees, vendor relations, and so much more. Most important, your job hinges on your ability to make key decisions (some on short notice) and to utilize your people skills, because most business involves interaction with others. You may not be skilled in all of these key areas. If you're not, you'll have to find others who can assist you by providing strength in areas where you are lacking.

Leadership Traits

Here is a checklist of traits and characteristics you may need to run a business successfully:

- Ability to make important decisions
- Ability to stay motivated, even when the business has slow times and is not running as smoothly as it might
- Knack for organization
- Good time management skills
- Good communication skills
- Stick-to-itiveness, or the drive that keeps you working long hours to get the job done
- Good physical health and stamina to survive the long hours and little sleep that may be part of the job
- Ability to get along well with many different types of personalities
- Ability to harness and manage anger and frustration
- Confidence in your skills, knowledge, and abilities to run a K&B business
- Ability to find answers to questions you cannot answer easily
- Ability to be firm or flexible so you can make adjustments or changes in your plans
- Ability to do research and weigh options before jumping into a situation or making a hasty decision
- Ability to balance a business and a personal life successfully
- Ability to put money aside for difficult times
- Ability to network and spread the word about yourself and your business

EVALUATE YOURSELF

Be honest with yourself. Identify how many of the listed skills and talents you possess. How many will you commit to learning? How much of the description just is not you? How many people will you need to hire to fill the void? If you need help with 40 percent or more of the listed items, perhaps you should reconsider starting your own business.

As you analyze yourself, keep in mind that although businesses do fail for a variety of reasons outside of the owner's control, more often actions (or lack of actions) on the owner's part lead to an unsuccessful venture. That's why entrepreneurs need to have a clear picture of both their skills and their shortcomings in order to build on their strengths and shore up their weaknesses.

Complete the next Entrepreneurial Innovation Assessment to help identify your entrepreneurial potential.

Entrepreneurial Innovation Assessment (Continued)

	Always	Often	Sometimes	Rarely	Never
29. I get a kick out of breaking rules.					
30. I become upset if I cannot immediately come to a decision.					
31. Ideas run through my head at night to the point I cannot sleep.					
32. I get into trouble because I'm too curious or inquisitive.					
33. I am able to win other people over to my point of view.					
34. I tolerate frustration more than the average person does.					
35. I rely on intuition when trying to solve a problem.					
36. I can stick with difficult problems for extended periods of time.					
37. My problem-solving abilities are stronger than my social abilities.					
38. A logical step-by-step method is best for solving problems.					
39. I can readily allay people's suspicions.					

40. Below is a list of adjectives and descriptive terms. Check 12 words that best describe you.

- | | | | |
|--------------------------------------|-------------------------------------|--|--|
| Energetic <input type="checkbox"/> | Realistic <input type="checkbox"/> | Organized <input type="checkbox"/> | Self-confident <input type="checkbox"/> |
| Tactful <input type="checkbox"/> | Quick <input type="checkbox"/> | Factual <input type="checkbox"/> | Fashionable <input type="checkbox"/> |
| Dedicated <input type="checkbox"/> | Cautious <input type="checkbox"/> | Polished <input type="checkbox"/> | Persevering <input type="checkbox"/> |
| Stern <input type="checkbox"/> | Alert <input type="checkbox"/> | Innovative <input type="checkbox"/> | Good natured <input type="checkbox"/> |
| Efficient <input type="checkbox"/> | Flexible <input type="checkbox"/> | Inquisitive <input type="checkbox"/> | Habit bound <input type="checkbox"/> |
| Perceptive <input type="checkbox"/> | Persuasive <input type="checkbox"/> | Inhibited <input type="checkbox"/> | Absentminded <input type="checkbox"/> |
| Egotistical <input type="checkbox"/> | Modest <input type="checkbox"/> | Unemotional <input type="checkbox"/> | Forward looking <input type="checkbox"/> |
| Curious <input type="checkbox"/> | Original <input type="checkbox"/> | Clear thinker <input type="checkbox"/> | Understanding <input type="checkbox"/> |
| Informal <input type="checkbox"/> | Dynamic <input type="checkbox"/> | Open minded <input type="checkbox"/> | Self-demanding <input type="checkbox"/> |
| Involved <input type="checkbox"/> | Practical <input type="checkbox"/> | Courageous <input type="checkbox"/> | Well liked <input type="checkbox"/> |
| Predicable <input type="checkbox"/> | Formal <input type="checkbox"/> | Independent <input type="checkbox"/> | Enthusiastic <input type="checkbox"/> |
| Observant <input type="checkbox"/> | Poised <input type="checkbox"/> | Thorough <input type="checkbox"/> | Resourceful <input type="checkbox"/> |
| | Helpful <input type="checkbox"/> | Sociable <input type="checkbox"/> | |

Scoring Instructions

To score the test, circle and add up the values for your answers.

Statement	Agree	Disagree
1.	4	1
2.	3	1
3.	4	1
4.	3	1
5.	4	1
6.	4	1
7.	4	1
8.	3	1
9.	0	4
10.	4	1

Statement	Agree	Disagree
11.	4	1
12.	3	1
13.	4	1
14.	4	1
15.	4	1
16.	4	1
17.	1	4
18.	4	1
19.	4	1
20.	4	1

Statement	Agree	Disagree
21.	1	4
22.	3	1
23.	1	4
24.	1	4
25.	1	4
26.	4	1
27.	4	1
28.	4	1

Statement	Always	Often	Sometimes	Rarely	Never
29.	2	3	5	1	0
30.	0	2	3	5	1
31.	2	4	5	3	0
32.	3	4	5	1	0
33.	3	4	5	1	0
34.	3	4	5	1	0
35.	5	4	3	1	0
36.	4	5	3	1	0
37.	4	5	3	1	0
38.	1	2	5	3	0
39.	3	4	5	1	0

40. These characteristics score 2 points each: energetic, observant, persevering, resourceful, independent, dedicated, original, perceptive, enthusiastic, innovative, curious, involved, and flexible.

These characteristics score 1 point each: self-confident, forward looking, informal, courageous, thorough, open minded, alert, dynamic, self-demanding, and absentminded.

Interpreting Your Score

125–186 If you scored in this range, you are probably a highly innovative person. Ideas come readily to you. On the whole, you take an innovative approach to solving problems. You also discern possibilities and opportunities in areas where others find little potential. You are original and individualistic, and you have no problem resisting pressures to conform. You have the courage to pit yourself against uncertain circumstances.

77–124 A score in this range indicates that you are moderately innovative. While you lack some of the autonomy, self-sufficiency, and self-confidence of the highly innovative entrepreneur, you compensate with your predilection for method, precision, and exactness. You also have faith in the successful outcome of your current and future entrepreneurial efforts.

27–76 If you scored in this range, you may be more successful operating a franchise or working for someone else than you would be starting and owning your own business. However, remember: Innovative abilities can be developed and cultivated either through on-the-job training or by attending workshops or seminars. If you are determined to own your own business, do not give up.

BEFORE YOU START

Now that you've done the self-evaluation exercises and you still want to pursue owning your own business—or if you are already an owner and “passed” the self-evaluation—you have several more things to consider.

What Are Your Career and Business Goals?

Where are you today? Where do you want to be in three to five years? How do you plan to get there?

What are your goals? Yes, you want to make money, but how much and how fast? Do you see yourself running a small business (fewer than 10 employees) or one with multiple stores and many employees? Is it a business that you hope your spouse, children, or other family members might want to work in and take over someday? Or do you want to work hard for 10 to 20 years and then sell the business and retire? How will you mix personal and business in order to achieve a good balance in your life?

It is important to consider where you want to end up before you even start. Many experts will tell you to start planning your exit strategy the day you start your business.

Separate Home from Business

If your only activity is your business, it's likely your family and social life will suffer. We all know people who are divorced due to problems resulting directly from the pressures of starting and operating a business. Don't let this happen to you.

Think about these words from Lord Chesterfield (1694–1773): “Few people do business well who do nothing else.” What this quotation tells us is that you are likely to lose some of the very qualities that will make you a business success if you don't remain well rounded in other aspects of your life. You already know you have to spend a lot of time with your business—but it's imperative that you also set aside time for family, friends, and yourself. Without this relief, you're likely to burn out long before you attain the success you want.

Here are a few suggestions for ensuring a successful balance between your business and home life:

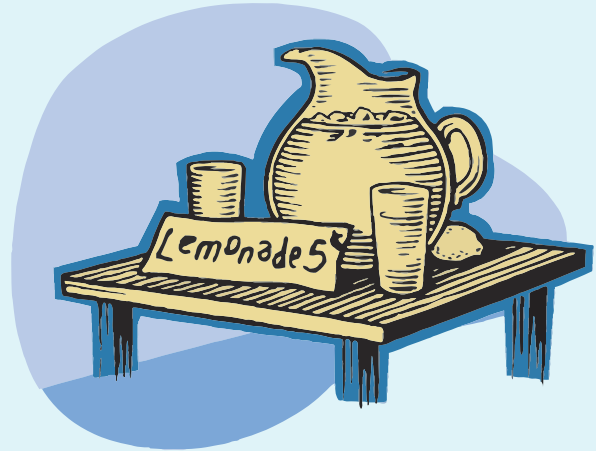
- Plan for the future but live in the present. Don't let the good times pass you by.
- If you do any work at home, designate an area for work only.
- Keep your hobby alive. A hobby can be an excellent source of relaxation.
- Maintain some type of physical activity. Exercise is a wonderful way to reduce tension and clear your mind.
- When socializing, try not to talk about business topics unless asked by others.
- Keep your significant other informed about your business activities, but don't make it the only topic of discussion.
- Although you will be putting in long hours on business, regularly set aside time for activities with family and friends.
- Remember: Problems with family and friends can spell disaster for your business. Be sensitive to their needs as well as your own. Stay involved in activities other than your business to the greatest extent possible.

How Well Do You Understand Business?

You do not need to have an MBA, be a CPA, or read the *Wall Street Journal* from cover to cover to be able to own and operate a successful business.

Business Example from Hank Darlington's Early Career

When I was eight years old, a neighbor playmate, Sally, and I opened up a lemonade stand. A couple of other kids had started one about eight blocks away so we did market research on the best location, then purchased lemons, sugar, cups, and napkins (inventory). We needed a table, chairs, and signage (assets). We established a sell price that was greater than cost, which generated a gross profit. We had a serious human resource issue, which was who would be the boss. (I was older so I won the job.) In the end, we had all the ingredients of a kitchen and bath business and could have generated a profit and loss statement and balance sheet. As I remember, the hot spell lasted about two days, and our interest level was just about as long. Thanks to family and neighbors, I'm sure we put a few coins in our piggy banks. That was my first entrepreneurial experience. I loved it then and love it still!



Beyond operating a lemonade stand when you were a kid, do you have any hands-on business experience? Do you really know all the things involved in running a business? There's a lot to it, including bookkeeping, taxes, payrolls, accounts receivable and payable, marketing, signing contracts, making deals, and operating in accordance with all government laws and regulations.

According to an analysis by Dunn & Bradstreet (www.dnd.com), experience and aptitude count for a lot. Dunn & Bradstreet suggests that poor management is the leading cause of business failure. They estimate that a lack of managerial experience and aptitude accounts for almost 90 percent of business failures.



WHY MANY COMPANIES DO NOT MAKE IT

Since so many small businesses fail in the first six years, it's important to understand why this happens.

- Lack of money
- Lack of business planning
- Inefficient control of costs
- Inferior quality of products and services
- Insufficient inventory control
- Underpricing products and services sold
- Poor customer relations
- Failure to promote and maintain a favorable public image
- Poor relations with suppliers
- Poor management
- Illness of key personnel
- Reluctance to seek professional help
- Failure to minimize taxation through tax planning
- Inadequate insurance
- Loss of key personnel
- Lack of staff training
- Insufficient knowledge of the industry
- Inability to compete
- Failure to anticipate market trends
- Inadequate cash flow
- Growth without adequate capitalization
- Ignoring data on the company's financial position
- Incomplete financial records
- Overextending credit
- Overborrowing
- Overdue receivables
- Excessive demands from creditors

Failure Factors and Characteristics of Entrepreneurs Who Have Failed

Since the failure rate of new businesses exceeds the success rate, it's important to look closely at typical characteristics of businesses that did not make it.

- **Lack of management experience.** Many entrepreneurs do not understand the intricacies of running a business. Too many K&B dealership owners have entered into business with good design and sales experience but little or no management experience. Lack of skills in financial, human resources, and marketing management can lead to failure.
- **Poor financial planners.** A major cause of failure is not having the expertise to write a comprehensive business plan, develop annual budgets, and generate and analyze monthly financial statements. This, plus poor planning in terms of capital requirements, can be the downfall of your business.
- **Poor location choice.** For a K&B dealer, finding the right location is one of the most important decisions. Spend the time and money to be sure the business is in the right area.
- **Ineffective business controls.** Lack of written policies, procedures, systems, and job descriptions, along with poor controls in accounting, job costing, accounts receivable, and inventory control, can kill a business before it even gets started.
- **Being a big spender.** Buying all new equipment and furnishings versus leasing or buying used is not wise unless the finances allow. Do not overspend on displays and building improvements. Driving expensive cars and taking too much salary can all contribute to a downfall.
- **Lack of commitment and dedication.** In the early years of a new business, the lack of willingness to spend the needed hours or give up non-work-related activities will have a negative impact on the enterprise. At times, family life will be disrupted as the founder works long hours creating a strong foundation for the business.
- **Impulse to overexpand.** When the business gets off to a great start, the first impulse is to expand—locations, products, services, customer base, and so on. Trying to do too much, too quickly can lead to a decline in services rendered, quality of product, and employee performance. The issue of available capital plays an important role in any expansion. A word of advice: Go slowly and be certain before undertaking any expansions.

Success Factors and Characteristics of Entrepreneurs Who Have Succeeded

To succeed, you must define your skills. To help you determine your level of expertise in each category, here is a summary of the skills needed to succeed.

- **Business planning.** The ability to establish and achieve short-term (one- to three-year) and long-term (three- to five-year) planning goals for the business.
- **Finance.** The ability to manage money, create and interpret financial statements, develop and update annual budgets, manage accounts payable and receivable, and successfully seek out funding sources for the business.
- **Accounting.** The ability to accurately record and interpret the income and expenses of the business in a timely manner (preferably monthly). If the business includes installation as one of its services, this would include job costing.
- **Marketing.** The ability to identify target markets (area and clients) and to put together a package of products and services that will be attractive to these clients. Marketing also includes knowing your competition.
- **Sales.** The ability to close sales once clients have been attracted to the business through marketing efforts and the presentation of a solution-slanted functional design plan. This would include learning and teaching sales skills to all salespeople.
- **Advertising, promotion, and public relations.** The ability to create plans, budgets, and campaigns that successfully sell the offerings of your business and attract potential clients to it.
- **Design.** The ability to create space solutions that work.
- **Installation.** The ability to manage a design/build kitchen/bath project with in-house installations or subcontractors.
- **Product knowledge.** The ability to know and sell your products and services better than your competition.
- **Human resource management.** The ability to recruit, hire, train, motivate, manage, and fire people.

AVOID THESE COMMON MISTAKES

Instead of making mistakes and learning the hard way, you can learn from the mistakes of others. Here are some of the pitfalls and common mistakes to be aware of.

- **Being married to your ideas.** Learn to be flexible and be able to adjust and change.
- **Not identifying your target audience.** Are you going to market kitchens and baths to high-end, middle, or low-end buyers? It's unlikely that you'll be able to be all things to all people. Select your niche carefully and thoughtfully.
- **Acting impulsively (i.e., not doing the proper research).** You'll need to learn everything possible about the K&B industry and the marketplace you plan to serve. Make time to learn as much as possible. Have the facts; do not operate on impulse.
- **Not having a business plan.** You will need a business plan that includes a marketing plan, financial projections, and human resource needs.
- **Ignoring the competition.** Study them, "mystery shop" (i.e., visit competitors incognito), research them. Know what their target market is, what main products and services they offer, what price point they offer, what image they project, and so on. In other words, learn everything you can—then use it to your benefit.
- **Underestimating your time frame to profitability.** Having a business plan, knowing your competition, knowing your customers, and offering the right mix of products and services will definitely lead you to profitability in a shorter time frame.
- **Trying to be a one-person show.** Yes, it is your business. No, you cannot do it all by yourself. The most successful businesspeople surround themselves with competent people. Good management is getting the job done through other people.
- **Cutting the wrong corners.** Spending all of your money to build a great showroom but not having money left over to advertise and promote will not get the job done. Be prudent, but be smart.

- **Focusing too much on technology and too little on people.** While technology can do wonders, it will not substitute for good customer, vendor, and employee relations. Do not spend all of your time and money on the latest and greatest computer-assisted design system while you should be training, motivating, and appreciating your employees.
- **Trying to do too much all at once.** Take the whole process one step at a time. Prioritize, set budgets and timelines. Then proceed in an orderly fashion.

GETTING HELP FROM ADVISORS AND MENTORS

Do not try to build a business in a vacuum. Take advantage of the feedback, suggestions, directions, and opinions of others; they can be extremely valuable to help get a business started or to grow an existing business. Certainly seek advice from related trade professionals but also utilize your banker, attorney, accountant, insurance agent, and friends to help in your venture.

SUMMARY

This chapter covered the various pros and cons of owning your own business. You were encouraged to rate your own leadership traits and to evaluate your personal entrepreneurial strengths and weaknesses. Upon completing this chapter, you should have a better understanding of which mistakes to avoid in order to manage a successful business.

REVIEW QUESTIONS

1. List five pros (advantages) to owning your own business. (See "Owning Your Own Business—Pros" pages 1–2)
2. What are the four "P's" that Debbi Fields Rose listed as her recipe for success in operating her company Mrs. Fields Cookies? (See "Business Success" page 2)
3. What are four important building blocks in your business foundation? (See "Four Keys to a Successful Kitchen/Bath Business" page 3)
4. List what you believe are the five most important business leadership traits needed to run a successful business. (See "Leadership Traits" page 4)
5. List five things that will help you ensure a successful balance between your business and your personal life. (See "Separate Home from Business" page 8)
6. List five reasons why your business may not survive. (See "Avoid These Common Mistakes" page 11)
7. List three areas of operating a successful business that you feel are your strongest. (See "Success Factors and Characteristics of Entrepreneurs Who Have Succeeded" page 11)
8. List two areas that are your weakest and explain out how you might improve them. (See "Failure Factors and Characteristics of Entrepreneurs Who Have Failed" page 10)

Resources

American Association of Entrepreneurs
655 15th Street N.W.
Suite 400 / F Street Lobby
Washington, DC 20005
Phone: (202) 659-2979

American Institute for Small Business
7515 Wayzata Blvd., Suite 129
Minneapolis, MN 55426
Phone: (800) 328-2906
<http://www.ed2go.com/business/>

National Association of Self-Employed
P.O. Box 612067, DFW Airport
Dallas, TX 75261-2067
Phone: (800) 232-6273
www.nase.org

U.S. Small Business Association
403 3rd Street S.W.
Washington, DC 20416
Phone: (202) 205-7701
www.sba.gov

The resources for marketers and entrepreneurs are infinite. Here are a few to get you started:

American Express Small Business Exchange
Phone: (888) 792-0279
www.americanexpress.com/smallbusiness

BizAdvantages
Phone: (800) 223-1026
www.bizadvantages.com

SCORE (Service Corp of Retired Executives)
409 3rd Street, SW, 6th Floor
Washington, DC 20024
Phone: (800) 634-0245
www.score.org

SmartBIZ
www.smartbiz.com

