

# Building A Better Business

Within five years, two-thirds of all small businesses fail. It's a sobering statistic. It's particularly disturbing for those of you who are just starting out in the import service business, or those whose businesses are less than five years old. As for you—old-timers to the industry—don't hitch up your pants and lean back in that easy chair just quite yet. No matter what your exposure to the industry, there are a few survival tips that you ought to know. Even if the school of hard knocks has taught you most of them already, there may be a few helpful new tidbits in this article for you.

"Entrepreneurs," begins Dr. Joseph Latona, "are the steeds that pull the wagon of progress." Professor Latona is the Management Director of the Center for Organizational Development and Small Business. But, he's not just a professor. He's a man who practices what he preaches. As President of the United States Association for Small Business and Entrepreneurship, he's experienced at managing his own business, as well as other peoples'. His eyes sparkle at the challenge of helping people to avoid mistakes and to be successful.

What is an entrepreneur? If you're the type who has always dreamed of owning a business, and did something about it, then you're one! An entrepreneur is someone with vision, someone who will take risks in order to succeed. But, it's also someone who makes mistakes, and learns from them. Some of the mistakes

most often made are due to:

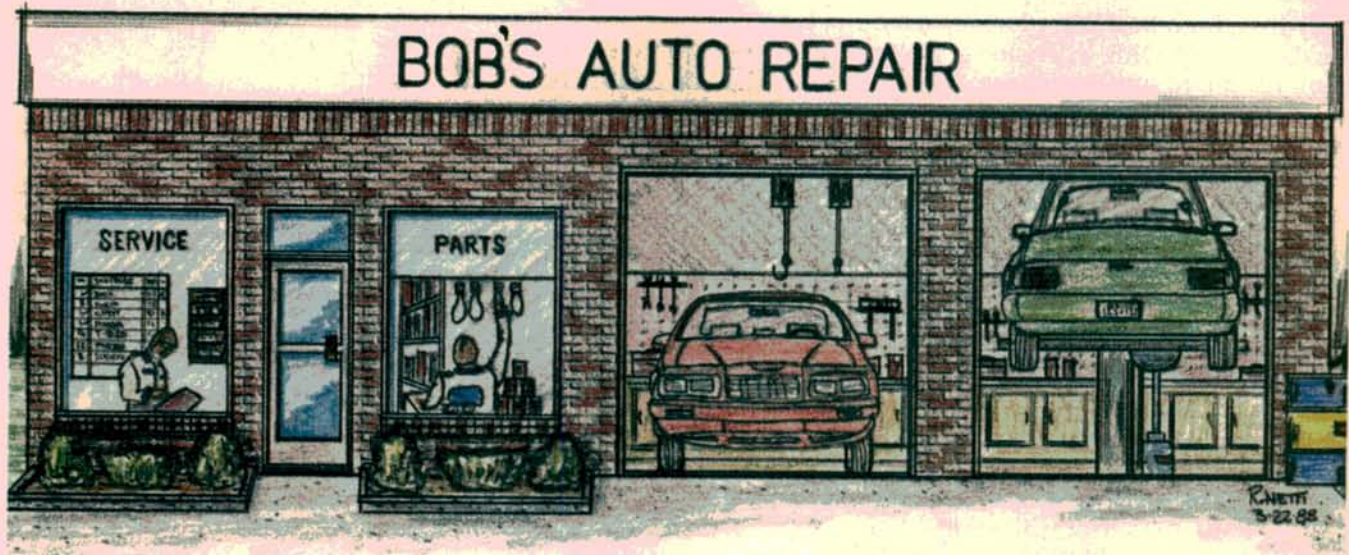
- lack of industry knowledge
- inadequate funds
- poor management of resources
- lack of data to determine how you're doing
- lack of inventory controls
- lack of marketing skills

These are fairly general phrases. But, let's break them down. Let's look at each individual piece that, when added to the others, clears up the "Why is my business failing?" puzzle.

## What Should You Know?

Vivian Kistler, a retailer for 20 years, now owns a management consulting agency. She also teaches business management courses through the University of Akron Outreach program. Kistler explains the first mistake—lack of industry knowledge. "You must know what's new, how to use it, how to buy properly, even how to operate a business. When you first start out in business, you don't have the connections to get the best deals on parts, on equipment, even on loans."

Whether you are just starting out, or have been in business for a long time, it's important to make out something called a business plan. A business plan will help you to obtain a loan. Most importantly, it will allow you to take a look at your business and deter-



mine its strengths and weaknesses. What is this business plan? Let's take a look.

you can catch illnesses before they spread and kill your business.

## BUSINESS PLAN FOR BOB'S AUTO REPAIR

### BUSINESS

DESCRIPTION  
MARKET ANALYSIS  
POTENTIAL CUSTOMERS  
SIZE OF MARKET  
GROWTH?  
SEASONAL PROBLEMS

### COMPETITORS IN AREA

EVALUATION OF THEIR OPERATIONS  
TYPE/PRICE/REPUTATION/APPEARANCE

### LOCATION

SPECIAL FEATURES OF LOCATION  
SQUARE FOOTAGE  
LEASED/OWNED/RENTED  
WHO TAKES CARE OF REPAIRS  
LOCATION NEEDS WHAT?

### MANAGEMENT

TYPE OF  
POLICIES  
STRENGTHS  
WEAKNESSES

### PERSONNEL

EVALUATE EACH ONE SEPARATELY  
STRENGTHS/WEAKNESSES  
SALARIES  
BENEFITS

### FINANCIAL INFORMATION

CAPITAL INVESTED IN BUSINESS  
HOW MUCH  
WHOSE  
AT WHAT RATE

### EQUIPMENT LIST

TOOLS/HAVE/NEED  
EQUIPMENT/HAVE/NEED  
INVENTORY/HAVE/NEED

### BREAK EVEN ANALYSIS

HOW MUCH DO I NEED TO MAKE TO  
BREAK EVEN/MAKE MONEY?

### EVALUATE OPERATING COSTS

UTILITIES  
INSURANCE  
SALARIES  
BENEFITS  
TOOLS  
EQUIPMENT  
TRAINING

### ADDITIONAL INFORMATION

**BOB'S AUTO  
REPAIR**

As you can see, the business plan is designed to make you sit down and learn about things like the competition, the marketplace, your customers, employees, and financial records. "But," you protest, "I haven't got the time." Well, think of it as a medical record of your company. By giving it regular checkups,

### Help Is On Its Way

I don't think I would relish attacking this task alone. But, you don't have to. Professor Latona referred us to an organization called **SCORE** (Service Corps of Retired Executives) that will help you with

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everything from business plans to obtaining loans to bookkeeping. SCORE, a division of the Small Business Administration, utilizes the management skills of more than 12,000 active and retired business executives to help small businesses. To obtain the number of your local SCORE office, you can call 1-800-368-5855. Once you have contacted your local office, they will send you a short "Request for Counseling" form. Fill it out, return it to them, and you'll be matched up with someone best able to help you out. It's probably the simplest thing you'll ever do for your business, the most helpful, and, best of all, the cheapest. Management consultants charge up to \$1000 for these services. Not SCORE, though. Their services are absolutely **FREE!**

### **Back To School**

Another way to improve your knowledge? Read. Catalogs, trade publications, literature, and magazines are all out there, waiting to help you with technical, management, and general business information. You don't like to read? Watch television. After work, instead of becoming a sit-com couch potato, pop a tape in the VCR. Manufacturers provide tapes on diagnosis, technology, even management information. Many of



them will loan the tapes to you, if money is a problem. Don't be afraid to contact your suppliers and find out. If neither of these ideas appeals to you, check out your local universities. Most of them offer evening management courses taught by people who've been there. They're inexpensive, informative ways to help your business.

## Location, Location, Location

"No knowledge, no need, and no money equals no business," says Kistler. Let's take a look at need. Does anybody really need what you do? Is it already being done better, cheaper, and in a nicer location by someone else? In any given community, there are only so many dollars to go around. Those dollars are going to go to the fittest competitors. You do not have to be the cheapest. But, you do have to be the most qualified in terms of knowledge, location, and willingness to do the work. We've already discussed ways to obtain knowledge. But, here's another factor—location. Those of us who have purchased homes or businesses from realtors have probably heard the phrase, "Location, location, location—it's everything." And it is. With a great location, you can practically name your resale price. You can also expect an opportunity to do a booming business. If you're thinking of relocating, or are wondering why people aren't knocking down the doors to get to you, location is an all-important factor to consider.

We've all seen locations where 10 businesses have come and gone in half as many years. Don't assume that you're the one who can make it happen for that location. Chances are, you can't. How to choose the ideal location for a service facility? One approach is to analyze traffic volume and traffic flow in your town. You will usually find that service facilities on the same side of the street as the homeward-bound traffic are busy. The ones across the street may be busy in the mornings, but, people are more often late than early. Therefore, they're not apt to be as busy. Businesses that are easily accessible due to traffic lights, stop signs, and corner locations tend to be busy businesses.



## To Know You Is To Love You

You may already have an excellent location, but are you easily noticed? Movie stars and criminals may seek anonymity—you shouldn't. The more recognizable your business is in the community, the more customers you are likely to attract. How do you become known in a community? We've discussed signs, yellow pages advertising, and basic appearance in previous issues. Get your name around. If you have to pass out pens, buy space in newspapers, purchase radio spots—in short, be a politician—then do it! People go for the familiar name, right?



## Money Makes The World Go Around

Is money a problem? It's certainly another key reason why businesses fail. So many of us expect to get rich quick when we open up our own businesses. What we don't realize is that most businesses don't make money the first year. So, if you're drawing a nice paycheck, you may be hurting the company. When you borrow money for a business, you must make certain to borrow not only start-up funds, but also operating capital. That's money that will keep you going and growing once you've begun. Otherwise, your business growth can actually harm you. You'll need more parts, more employees, even more space, and your original loan won't be able to cover it. Be certain that you also borrow enough for personal survival, since you cannot bleed a company of its finances by drawing a high salary at the onset. How do you determine how much to borrow? That is where the business plan we discussed earlier will help. It forces you to sit down, divide everything into categories, and price them out.

## Resource Management

In business, money is known as a resource. There are other resources: time, inventory, employees, customers, equipment, and information. Often, businesses suffer because of resource management mistakes made by their owners. "Your goal should be to manage your resources as efficiently and effectively as possible," advises Professor Latona. What does that mean? You want to utilize your resources to the ultimate. For example, if air conditioning repairs usually occur now, you should have all A/C parts on hand so that you are ready to service customers. If the repair can be done in 30 minutes by technician A, you don't want technician B, who takes 60 minutes, to do it. That's efficiency. And, when the repair has been made, you don't want the same vehicle to come back the next day accompanied by its grumbling owner. You want the car to be fixed right the first time. You also want the customer to be happy. That's effectiveness.

## Organization Is The Key

As you can see, organization is the key here. Know your inventory. Keep hand-written records, or use your computer program if you have one. Don't figure that you'll jot down the part you just pulled out of stock later. Do it now. You can't afford to be facing an empty

parts bin when you have a customer ready, willing, and able to plunk down money for your services. Those records will also give you a fairly good idea of how much inventory to order in the future. You also need to know what inventory to have on hand, and when. Catalogs, suppliers, and manufacturers all can help you with this. You want to get the most inventory for your money. Check for special offers on various products. Also, find out if a company will give you its products on consignment. That way, you don't have to shell out the money until you sell the parts.

Money is something else you must manage well. Know what your competitors are charging so that your prices are in line with theirs. How to find out? Make phone calls where you pose as a customer. Sneaky? Perhaps. But, how else are you going to find out? Pay attention to those phone calls, particularly the way that they are handled. We may be getting a bit off track here, but I'll say it anyway. Phone etiquette can actually make or break your business. We've all made calls and been treated rudely. Many times we'll return to the phone book, make another call, and take our business elsewhere. Don't be the business whose phone manner is turning customers away.

### File It

Do you have drawers or shoeboxes filled with receipts and invoices? If so, you don't have the ability to obtain information quickly. Files, be they on computer or in a drawer, are crucial to accurate information management. If you are organized, you can quickly locate bills to see if they have been paid or if there are discrepancies. Your accounting ledgers should be kept up to date so that you always know how much cash you have on hand.

Those files that you keep will also help you to keep track of service. How many customers did you have in 1987? How many tune-ups did you do? How many engine rebuilds? What types of cars did you work on? It is important that you keep records of all of this information. Use this information to do a market analysis. If you're uncertain here, someone from SCORE can help you to interpret the data.

From all of the filed information, you can also learn what your projected income is, what to order when, and who your customers are. You can learn if you need to expand your business, order more special tools, specialize by car or by service, or hire and fire employees.

### People Problems

Employees and customers are yet another resource that you must handle with care. People problems are perhaps the most delicate and difficult to deal with. From hiring to firing, you've got to get it right. Hiring an employee? Make sure that he has the skills you are looking for. Don't take his word for it; make him prove that he's capable and able to fit into your business.

How? Hire him on a trial basis. Agree ahead of time that if things go well, he understands your business, and works well with you and other employees, then he can stay. Once permanently hired, an employee is difficult to fire. I cannot stress enough how important it is to hire someone willing to learn and happy to work with customers. Whether it's a technician, a bookkeeper, or a secretary, your employees must leave customers feeling that they're in capable, caring, and honest hands. Instill this in your employees with planned or impromptu customer relations courses. Whether in a memo, a short chat, or an actual class, the idea of improving customer relations skills cannot be ignored.

As Kistler notes, "People will drive an extra mile for service by someone who knows their name, who's willing to squeeze them in, even help them pump up their kids' bicycle tires. And, don't forget that the kids on bicycles today are tomorrow's drivers!" What type of a service facility turns customers off? "One that doesn't exhibit community caring, that doesn't know your name, or bother to learn it. One whose phone etiquette is poor, who can't be bothered to give directions or answer your questions," says Kistler.

### In Summation . . .

In the 1986 White House Conference on Small Business, President Reagan noted that 47 percent of the private sector work force is employed by small businesses—businesses with 500 or less employees. Nearly two-thirds of the new jobs in the past eight years have been generated by small businesses.

Yes, you are one of these small businesses that's playing a vital role in the American economy. But in order to continue playing this role, you've got to survive. And, you went into business to do more than survive—you want to thrive!

Neither the constitution nor the free enterprise system guarantees success to everyone who starts his own business. It only guarantees him the opportunity. In order to survive and beat the competition, you've got to roll up your sleeves and work hard. You've got to learn the nuts and bolts of business, and apply them every day.

Investing extra time in: 1) education for you and your employees, 2) managing money, personnel, and records, 3) improving customer relations, and 4) improving your position in the community will make you a winner. If you don't want to bother, or claim that you don't have the time, you might as well plan on packing up and moving on. Because, maybe not now, but sometime in the future, you will be one of the unlucky two-thirds who don't make it.

—By Marla Schleider

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