

Business Basics for the Entrepreneur

By

Shirley Henderson

Apollo Correspondence Classes

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Apollo Correspondence Classes

21162 Banff Lane

Huntington Beach, CA 92646

<http://apollo123.com>

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Chapter 1

The Pros and Cons of Self-Employment

Before deciding to become self-employed, weight the cost and benefits.

As an Employee

- No overhead—no rent, utilities, multiple insurances, maintenance or advertising costs. Regardless if business is slow or you want to take some time off, if you're self-employed, the overhead costs just keep rolling in.
- It's simpler—no independent contractor hoops to jump through or withholding from employees' checks and paying worker's compensation.
- You only have to account for yourself—you won't need to deal with employee's eccentricities, no shows or grievances. You won't have to feel frustrated if they do something that discourages business or affects licensing.
- You are not alone—co-workers give a sense of community, and support. They become your friends and you confide in them. If you were the owner, that friendship would likely be a little more strained. Plus many self-employed start off working by themselves and may remain so.

- Less worries—you won't have the same worry about failing. As an employee you have less of an investment to lose. If things get tough, you can always find another place to work. Half of new businesses (though not necessarily massage businesses) fail within the first 5 years.¹ This is about the same success rate as first marriages in the US.²
- The work time is usually shorter—you work your shift, go home and forget about it. If you're self-employed, you're always tuned into the business. (Entrepreneurs starting a business work at least 70 hours a week, according to a report in the New York Times.³)
- Less responsibility— Business owners are responsible for what their employees do.

However, as an employee, you're going to be pretty much in the same position five years from now unless you grow your clientele.

Unlike the owner, your income will be directly related to how many massages you do and possibly how many products you sell. Figuring into that disadvantage is the issue of leaving. If you wanted to relocate, it might be difficult for you to move your clientele; as an employee you have limited rights to them.

On the other hand, being self-employed means you get to:

- Keep everything you make.
- Hire others and profit from their work.
- Schedule your own hours. Or, if you have employees, just wander in at your convenience.
- Run the business exactly the way you would like to see it done.
- Be creative in a bigger way, decorate, pick the theme, name the business and design the ads.
- Become independent (38% of small business owners said this was their main reason for starting their own businesses.⁴)

The Franchise

There is a halfway point between employee and self-employed. That is the franchise. Here the franchisor gives you start up help, support and advertising for an upfront fee and a percentage of what the business brings in.

Examples of franchised businesses are McDonald's, Subway, 7-Eleven, Supercuts and Dunkin' Donuts.⁵ One source claims franchises account for 42% of retail sales in the US.⁶

A franchise is actually a business opportunity you are leasing.⁷ If you don't renew when the franchise expires, the business vanishes. Or, to put it in the worst possible

light, “To hear the experts tell it, a widespread misconception is the idea that running a franchise means being your own boss -- whereas, in reality, you're just leasing a trademark, and the real boss is the company that has sold you the privilege.”⁸

Franchising is becoming more common in the massage industry: Elements, Hand and Stone, Keep in Touch, LaVida, Massage Envy, Massage Heights, MassageLuxe, Michelle Lea are some.

The franchisor may provide great help to get you started. One company assists with site location, leasing and build out.⁹ But it's not cheap—take a look at this table:

	2010				
	Franchise Fee	Royalty	Investment	Minimum Liquid Capital	Minimum Net Worth
Elements ¹⁰	\$39,000	6%	\$159,000 to \$288,000	\$75,000	\$200,000
Hand and Stone ¹¹	Not stated	Not stated	\$100,000	\$75,000	\$400,000
LaVida ¹²	\$39,000	5%	\$145,500 to \$260,000	Not stated	Not stated
Massage Envy ¹³	\$45,000	Not stated	\$317,490 to \$512,220	\$100,000	\$500,000
Massage Heights ¹⁴	\$42,000	Not stated	\$228,000 to \$446,000	\$75,000	\$250,000 to \$350,000
Michelle Lea ¹⁵	\$35,000	5% (paid weekly)	\$63,450 to \$107,550	Not stated	Not stated

Typically, an additional percentage is assessed for marketing. For example, Michelle Lea charges 2% of gross revenue weekly.¹⁶

While much of the money may be financed, the minimum liquid capital and net worth requirements could put franchising out of many people's reach.

Would someone be better off with a franchise over opening a business on their own?Maybe not. A study in the early 1990s showed more franchises failed in the first 4 years than independent start-ups: 38% to 32%.¹⁷

Key Points

- Not starting your own business has advantages and disadvantages which can be examined.
- Opening a franchise is halfway between being an employee and owning your own business.

Chapter 2

Make a Business Shine

There are about 122,420 massage therapists in the US. 57% of them are self-employed.¹⁸

Is the market saturated? Can you compete by being exceptional in some way?

People said there was no market for a copy machine. That was until 1958 when secretaries got hold of a contraption put out by a company called Haloid Xerox. Later the company changed their name to just Xerox.¹⁹

In 1971 people told 27 year old Fred Smith no one would pay to deliver packages overnight. He thought they were wrong and founded FedEx. He flew empty packages for a couple of weeks to test the system before going live in 1973. Xerox was one of his first clients.²⁰

The point of these 2 success stories is there's a market for your services *if* you can do something better than anyone else. A Xerox machine was more convenient than mimeograph and FedEx could get your product there faster and more reliably than the post office.

What does *better* mean?

Want to get lunch when you're an ironworker on girders 27 floors up? Subway operates a store up there, built in

cargo containers. As the construction moves higher (ultimately to 105 stories), Subway will go along with it.²¹ *That's* a niche. There's a sandwich shop on every corner but Subway found a new way into the market.

There are at least 7 ways you can find a niche in an already mature market.

Price

If you can deliver service for a lower price than the competition, you're in. The best example of this is Sam Walton. He recounts in his autobiography being told to charge more. He went the other way; by "a fanatical focus on low costs and low prices,²² his company ended as the *world's* largest public corporation figured by sales.²³ (Wal-Mart's success is not unmitigated — unfortunately part of the "low cost" focus reportedly includes employee's wages and benefits.)²⁴

Some people are suspicious of low pricing. They may think your business is inferior in some way. When you advertise your low prices make sure they know you have not cut corners on service or expertise.

Class

Or you can charge more and compete by being classier than the competition. In that case, you need to look and sound classy.

Do people buy a Rolls (\$245,000 to \$380,000)²⁵ rather than a Hyundai (\$10,690)²⁶ for the ride? Perhaps that's

partly true. It's certainly not the gas mileage—a Hyundai Accent gets 2.5 times more miles per gallon in the city than a Rolls.²⁷

It would be a safe bet that many people buy a Rolls to say “I've arrived.”²⁸ So if you can position your message to convey the same message, price doesn't matter. This is a strategy better employed in a place like New York City or Beverly Hills.

Quality

Another way to disregard price is to market on quality. Zingerman's of Ann Arbor, Michigan²⁹ will cheerfully ship you Reubens sandwich fixings for \$150 (including shipping). Even if it serves 5-7, that's \$21 to 30 a sandwich. It's probably a great meal (Oprah loves it)³⁰—but thirty dollars for a sandwich?

Yet Zingerman's has been selling them for years. They even have a book³¹ and training on how to do it. (The secret, they say, is customer service.)

If you can find a way to offer services that are in some way exceptional, you may be able to market it as higher quality and disregard the price.

Class may have higher quality but the two are separate. Class focuses on prestige while quality targets the experience. So while you may get the best (highest quality) barbecue in the US at Kreuz in Lockhart, Texas,³² no one is awarding you any status points for having a great meal there.

Expertise

People still go to small hardware stores rather than the big box chains because usually someone there can help them with their project. (A few years ago, one of the big hardware chains advertised each of their people on the floor where experts and knew how to do “everything”. Guess they never heard the phrase “Jack of all trades, master of none,” in use on this continent since 1721.)³³ I doubt if on the net you will find anyone raving about Home Depot employees who are that helpful.

You can actually find someone helpful at a small Ace Hardware where you might have to launch a flare rocket to attract a knowledgeable person’s attention at Home Depot.

Though people may end up paying more at the small store, when they need someone who can help with their problem they go to the store with expertise.

If you’re skilled in a particular technique, marketing that expertise may launch your business.

This sounds a lot like quality and they do mix. But quality could contain many things in addition to expertise, such as perhaps fine oils or richly appointed rooms.

Speed

7-Eleven is in business because people want to buy things quickly without traveling far or waiting in line.

Picking a convenient easily accessible location for your business is crucial. Most clients want to save gas and don't want to spend a lot of time getting to you.

If you've ever gone for a massage and waited too long on the table before the therapist entered, you can see where speed might be important. Clients don't like being ignored.

By not booking clients directly on top each other, you can prevent their having to be kept waiting. They would be in and out at the correct times so it would not disrupt the rest of their day.

This is especially important if a client is late and you would have to keep the next person waiting. However if you must book closely for economic reasons, at least give the impression of speed. Make their wait seem like part of the treatment. One way you can do this by providing a sauna or hot packs before treatment. Another is to have a receptionist who can slow down the sign in process.

Another way to sell speed is by offering massages in shorter blocks of time to busy people. Who would buy a 15 minute massage? Maybe office workers on their afternoon break.

What's your slowest day of the week? If you're near a big office building, cut a deal with the owner to sell brief chair massages in the lobby one afternoon a week. (This may require additional licensing.) The office workers get an inexpensive pick-me-up. Some will pick up your business cards which can be nicely displayed.

This will probably work better on a Wednesday afternoon (help them make it through the week) than a Friday (when they're thinking about getting home for the weekend).

Time

One of the early advantages Sam Walton (Wal-mart) had over his competitors was he stayed open later.³⁴

Your hours may be constrained by law. But are there clients who want your services during allowable hours when the competition isn't open?In the very early morning, perhaps?

Unique

Is there something about your business that is different? Can you create a unique experience or environment?

The epitome of this technique is Disneyland. Walt Disney embellished carnival rides into making you think you were in a different world. He created an environment and provided an experience that topped what other carnivals and amusement parks were doing.

So what makes you different from the competition?

To answer that, you have to know what the competition is doing. How can you find out?

You can go there and get a massage. Mentally keep track of everything they do—how the reception area and other rooms look, how they process the clients, the quality of their work. Be sure to ask your tax person if you can deduct this as market research.

You can track your competition on the Internet. Yahoo and Google, for example, will email you every time a key word (such as their business name) comes up on the web. These are called “alerts.” With Gmail, for instance, you can specify how often (‘as it happens,’ daily or weekly) you want these reports and how deep (report the first 20 times Gmail finds the name or ___).

Once you know what others are doing, you can figure out how you stand out. Learn from them and then improve on what you learned.

But, as Earl Nightingale used to say, people at the top have no competition. They’re too busy creating.³⁵

Attitude can be powerful. Christopher Buckley wrote a novel about a first lady accused of murdering her

president husband. The defense lawyer tells her to walk into court as though she was expecting an apology.³⁶

Key Points

- You need an identifiable advantage over the competition.
- You need to keep track of what the competition is doing.

Chapter 3

The Numbers

It is said you should have access to an amount equal to your first year's revenues and expenses before you open a new business. So if you think the business will bring in \$60,000 and costs will be \$30,000, the rule of thumb is to have \$90,000 available before you begin.³⁷

This may sound over the top. But not having this level of funds before you start is called undercapitalization. This is a common cause of business failure.³⁸ However, this applies to businesses in general. People have opened massage businesses with less and did fine. It will greatly depend on the economy of a region, saturation, your expertise, and the energy you put behind promoting your business.

Not all this money need be yours. If someone wants to invest in your business and is willing to run the risk, it is not unusual to use investor's money. Big shots do it all the time.

The federal government has hundreds of loan programs for small businesses (You knew they spent your tax dollars on *something*.) Typically these guarantee a loan made by a bank, so if you default the government will pay the loan. This makes the bank more willing to extend credit.³⁹

Here is the information these loan programs usually require:

- Why are you applying for this loan?
- How will the loan proceeds be used?
- What assets need to be purchased, and who are your suppliers?
- What other business debt do you have, and who are your creditors?
- Who are the members of your management team?
- Personal background
- Résumé
- Business plan
- Personal credit report
- Business credit report
- Income tax returns for 3 years
- Financial statements
- Bank statements for 1 year
- Collateral
- Business license⁴⁰

Veterans of the US armed forces have their own special government agency to help—the Office of Veterans Business Development including 16 physical locations. Services include assessing the business idea, helping with the business plan, entrepreneurial training, and mentoring (including onsite visits).⁴¹

You know about the rent but how many types of insurance did you count on?⁴²

If you have anyone working for you, they're probably employees (see the Who chapter). That adds these kinds of insurance, usually required by the state:

- Workers' compensation insurance
- Unemployment insurance
- State disability⁴³

If you use your car for business, the state could require commercial auto insurance. Although for a small business like massage, it is not common. Your lender, if any, may require additional types of insurance to protect their investment.⁴⁴

In addition to carrying different types of insurance if you have employees, you need to withhold various taxes from paychecks:

- Income tax
- Social Security
- Medicare⁴⁵

You contribute a separate amount to employees' Social Security and Medicare. You pay a federal unemployment tax which employees do not.⁴⁶

If you work alone, Social Security and Medicare are blended together in a self employment tax.⁴⁷

You'll probably need an accountant to keep track of all this. If you have more than a few employees, you may also have to get a payroll service to handle the withholding, deposits and various reports.

In calculating business operating expenses, don't forget energy—power, heating and cooling. But you can also implement strategies to reduce these costs:

- Office equipment and electronics can still draw power even *when turned off*—up to 30% of a monthly bill. This is called “phantom energy” or “vampire power.” So unplug equipment when it's not in use or at the end of the day. Or put it on a power plug and turn the power plug off.⁴⁸
- Low flow aerators reduce hot water through the faucet from 2.2 gallons a minute to 1.5 or less. (They use forced air to replace some of the water.) This saves 25-60% on heating water for the equipped faucets.⁴⁹
- Use a programmable thermostat (generally under \$100) to control the temperature. This way, no one has to remember to turn the heating or cooling system down before going home.⁵⁰
- Have annual maintenance done on the heating/cooling system (unless the landlord takes care of this).⁵¹
- Block the sun's direct access to eastern and western windows during summer. Use solar screens, solar films, or awnings. On the other hand, unobstructed southern windows can help heat the building during winter.⁵²

- It's cheaper to use fans than air conditioning. You may be able to set the thermostat 3 to 5 degrees higher using fans with air conditioning. Each degree saves about 3% of cooling costs.⁵³

Key Points

- The federal government has hundreds of loan programs for small businesses.
- Insurance, taxes, and energy should all be considered when planning.

Chapter 4

Location

As of 2010, 18% of the states have no personal income tax (Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington and Wyoming).⁵⁴ If you're free to relocate to start your massage business, you might want to try one of these. Be careful—higher property taxes or other fees may offset the lack of personal income tax.

Sometimes vendors suggest you pretend to be in business in one of these states to save on the tax. For example, numerous books suggest California residents claim to be doing business in Nevada to avoid personal income tax. This is a little hard to do with a massage business since there is actually an office in the state with the tax.

Were you to form a corporation, doing so in Nevada might have some advantages. Saving money probably wouldn't be one of them. If your Nevada corporation was actually doing all its business in California, you would also have to register as a foreign corporation in that state and pay California taxes.

Once you've got the big stuff down (the state), here are some questions to ask in picking a location for your business:

- Do you need foot traffic? If so, do you need to be in a popular area on the ground floor?⁵⁵
- Is the proposed site easy to get to?⁵⁶ Near freeways? Does access shut down during certain hours because of gridlock?
- Is there plenty of parking?⁵⁷
- Is the location zoned for massage?⁵⁸
- Are there any restrictions on the signage you can use?
- Do you feel safe in the area? The building?
- Will your clients feel safe?
- Does the area change at night? Even if you don't work at night, will your office be safe?
- Are there local (say, city) taxes on the business, such as an annual equipment tax?
- How close are competitors?

An employer is required to take certain steps to protect the health and safety of employees.⁵⁹

- A workplace must be free of "known dangers."
- Employees must be trained to deal with hazards.

- Workplace injuries or illnesses must be recorded.
- Workplace incidents resulting in a death or in 3 or more workers going to the hospital has to be reported to the federal Occupational Safety and Health Administration (OSHA) within 8 hours.
- An OSHA poster should be up.
- Workers can request an OSHA inspection.
- Workers cannot be discriminated against for exercising their OSHA rights.

Key Points

- There are many considerations to picking the right location.
- An employer must take certain steps to protect the health and safety of employees.

Chapter 5

A Little Paperwork

Your business can be done in various structures or forms. The most common is the sole proprietorship—you're the owner and responsible for all the debts. Other forms include the partnership, corporation and LLC.

If your accountant recommends you move from a sole proprietorship to another form of business, expect even more paperwork than is described here. (See my *Massaging Your Business*, "Incorporating or Not," for the various choices.

- Federal tax identification number. Needed if you have employees, file as a corporation or partnership, have a Keogh plan or operate as a non-profit. You get this from the IRS and can apply online.⁶⁰ Your accountant can help you with this.
- Registering with your state for state taxes. There are links to the various state requirements at <http://www.business.gov/manage/taxes/state.html>. Your accountant can help you with this.
- Licenses and permits
- Fictitious business name. This applies if you are using a business name other than your own

name. About 80% of the states require (or have cities or counties that do) that you file a fictitious business name statement or similar form.⁶¹ For example, this could apply if your name is Debra Harris and your new business is going to be called Healing Hands. This may involve publishing the statement in a newspaper. (Try to find a small one—the rates could be lower.)

- Credit card set up. These agreements are often close to a small book but should be read carefully. My favorite credit card contract clause required me, in the case of an audit, to fly out credit card people from the other side of the country, put them up in a hotel, and feed them. Since I'm reasonably close to Disneyland, I was a little worried by that one. Also be sure to check on the internet to see what complaints people have about a particular credit card processor.
- Lease. If there's anything you don't understand, show it to a lawyer. It's better to buy an hour of lawyer time now than to regret a problem you didn't know about later. There are ways to get out of a lease but they're not easy—see my *Massaging Your Business*, "Getting Out of a Lease."

Contracts are supposed to be freely negotiated between the parties. Here are some provisions to look for:

- Probably near the end of the contract, there's a paragraph about this writing being the whole contract. That means any oral promises made to you don't have to be kept.
- There's a paragraph saying this contract is governed by the laws of the state of ----. Suppose the lease says it is governed by the laws of Delaware because the landlord is Mega Corp, headquartered in Delaware. If you live in Oregon and have a problem, you have to find a lawyer who knows about the laws of Delaware—3,000 miles away.
- There might be a clause saying any dispute has to be handled by arbitration. That means somebody will sit down, listen to you and the landlord, and decide who wins. You won't have the right to go to court.⁶²
- According to the *New York Times*, "Businesses love these [arbitration] provisions because arbitrators act quickly and *almost always rule in their favor.*"⁶³ You, as an entrepreneur just starting out, need a dispute resolution method that's a little more balanced.
- Can you sublet?⁶⁴ This could be a very important feature. You want to be able to do that.
- Can the lease be terminated early? What are the penalties?⁶⁵ That would be a good provision to have. Just make sure the penalty is minor.

- Who pays for repairs?⁶⁶ Make sure the landlord is responsible for the big repairs.
- If you're responsible for maintaining some building system or component, try to ensure that involves just repairing—not replacing—it.⁶⁷
- Are you paying a pro-rated share of the landlord's operating expenses? If so, the lease should specify which expenses you're not responsible for sharing, such as "costs associated with the landlord's offsite operations or general overhead" or the landlord's legal expenses for problems not involving you.⁶⁸
- Try not to be responsible for bringing the building up to code. You should be renting an office that is already compliant.⁶⁹
- Is the insurance the lease requires you to carry reasonable?⁷⁰
- "Require the landlord to carry full replacement fire and extended property insurance on the building".⁷¹
- Avoid clauses that allow the landlord to relocate you to another part of building, even at no cost.⁷²

Key Points

- Consult with an accountant.
- Read the lease very carefully—there are many provisions to avoid.

Chapter 6

The Myth of the Independent Contractor

I once heard an owner say, “I never hire employees. I call them independent contractors. Then all the paperwork I have is to give them a 1099 at the end of the year.” Thinking she was protecting herself she had the so called “independent contractors” sign an agreement. In the contract they were agreeing they were independent contractors, like that meant something. Everything else they were agreeing to in the contract proved they were not independent contractors at all. The owner thought she was protecting herself but in reality was providing hard evidence that they were actually employees. That is why it is important to know how an independent contractor is defined by the government.

Eight states require additional paperwork. California, “Connecticut, Iowa, Maine, Massachusetts, Minnesota, New Hampshire, New Jersey, Ohio, and the territory of Guam require some sort of independent contractor reporting.”⁷³

California, for instance, requires a report within 20 days of paying an independent contractor \$600 or more (or contracting to pay that).⁷⁴

(By the way, beginning in 2012 you may be required to issue a 1099 to everyone you pay more than \$600 to each year—including your landlord and places like

Staples.)⁷⁵ Hopefully the lawmakers will change their mind on this but their goal is to trace unreported income through 1099s.

Is the person you hired really an independent contractor?⁷⁶ (The following discussion is based on information supplied by the IRS. A state may have different rules than the federal government to determine who is an independent contractor.)

- Do you control (or have the right to control) what the person does?
- Do you tell the person when and where to work?
- Do you control how the person does the job ("the means and details")?
- Did you instruct or train the person?
- Do you control the business aspects of the person's job?
- Do you reimburse the person's expenses?
- Do you provide tools or supplies?
- Do you provide the person with pension, insurance or vacation?
- Is the business relationship between you and the person permanent?

- Is your office the only office the person has?

The more yes answers, the more likely the person is an employee.

For example, if you give the person various tasks (massage therapy at one point, doing the laundry at another); establish a schedule requiring the person to be at work during certain hours; supply the table, linen, oil; and expect the person to work for you until something goes wrong, a lot of buttons are being pushed that sound like “employee.”

The IRS will determine the status of a person or position for you. The process takes about 6 months.

If you think the first person you hire is going to be an employee, there are 10 regulatory steps in the hiring process:⁷⁷

- Get an Employer Identification Number from IRS.
- Set up records for withholding taxes (and get ready to keep them for 4 years.) Actually some keep them longer in case of an audit.
- Verify the person is eligible to work in the US. Fill out form I-9 and retain for 3 years (or one year after the employee leaves, whichever comes first)
- Report your new hire to your state within 20 days.

- Get workers' compensation insurance.
- Register for unemployment insurance tax.
- Purchase disability insurance if you're in California, Hawaii, New Jersey, New York, Rhode Island or Puerto Rico.
- Put up the required workplace posters. There's actually an automated "Poster Adviser" online to help you figure out what posters you're supposed to have up:
<http://www.business.gov/business-law/employment/posters/>
- Figure out the labyrinth of state and federal tax filing requirements. For example, the IRS requires forms every payday, quarterly and annually on various dates.
- Stay organized and informed.

Yikes! Maybe it's easier to carefully structure the job so you really do have independent contractors!

Key Points

- Independent contractors may require more paperwork than a 1099.
- You might not have an independent contractors but employees.
- There are 10 regulatory steps to hiring your first employee.

Chapter 7

Advertising

Where to Advertise

How do you know where to advertise? Don't be afraid to be creative but keep the cost very low if you're experimenting. Your best bet is to ask your clients where they look for massage therapy.

Tom Peters, author of *In Search of Excellence*, says one of the most important things you can do to succeed in business is regularly corral 4 or 5 clients, sit them down, and ask how you're doing.

This might be a little awkward in a massage setting. But today you can gather such opinions online. There are many free services which will let you add a questionnaire to your web site. While learning where to advertise is important, you should also check the client's perception of every aspect of your business.

Not all the feedback you get will be useful. For example, if your child filled out a survey about homework, she or he would likely be against it.⁷⁸ But how the client sees your business is an important reality check to how your operation is viewed.

The Web Site

The day of the static web site is dead. Your web site has to do something.

Think of it as the new phone—as a communication device.

It can tell your clients important information so you don't have to—services, hours, prices, how to get there.

The web site can sell your prospective clients. Whatever quality sets you apart (see Chapter 2) should shine forth on the web site.

But part of using your web site for communication means you must use it. If you're going to look at it once a year or ignore emails, you might be better off without it.

(However, if you choose not to put up a site, your competition will likely leave you far in the dust. Plus you and your staff will be taking the time to answer all those questions the web site could have handled.)

Web sites are just the minimum if you want to really reach people. For example, teens say “e-mail is, like, soooo dead.” They're using text messaging and social networking sites—and always looking for the newest way to communicate. Some teens report never having used email.⁷⁹

You need to be using these more advanced techniques also, as they will be the clients of tomorrow. This will also let you reach current clients who have migrated to these methods of keeping in touch.

Do you list the social networks you belong to on your website? This is growing ever popular. Even if you're not keen on it, being able to work it will benefit your business.

Probably you'll start out with a web site you've built yourself using one of those easy build mechanisms website hosts offer. This is the least expensive way to get started and may be perfectly adequate for years. When you get ready to hire a programmer, check this advice from Derek Sivers: <http://sivers.org/how2hire>

There are a couple of problems with social networking.

For one thing, it swallows enormous amounts of time. People are telling their friends on Facebook when they up from a nap, apparently living on the site. As an entrepreneur, you can't afford to do that. If you hire a receptionist, one of the duties might be to pursue your presence on sites such as Facebook and Myspace.

Another issue is that many people seem to want to amass as many "friends" on these sites as possible. Facebook encourages this by constantly throwing up more people for you to add as your friends. None of these may be potential clients.

Your business goal is not to be the first person in your town with 10,000 friends on Facebook but, rather, to show clients who you are and to be available for them to reach you through this medium.

How to Advertise

Companies are known by phrases. If I say

- The Ultimate Driving Machine
- The Real Thing

You probably know I'm talking about BMW and Coke.

Sometimes we remember the phrase but not the company. I recall "If you've got the time, we've got the beer" but not the company. (Turns out to be Miller's.)⁸⁰

I think of FedEx when it positively, absolutely has to be there overnight—almost 30 years after FedEx quit using the phrase in 1983.⁸¹

So with all this recognition, you'd think a company would be happy. But instead some businesses try to refocus the client.

Chevrolet, for instance, sent out a memo to employees telling them not to call the car a Chevy.⁸² Two days later (after public outrage) Chevy said the memo was just "a bit of fun."⁸³

So if a client wants to call your 90 minute special “the 90” and you think of it as “the relaxing wonder,” don’t fight the client. Run with it.

In Nora Roberts’ novel, *Northern Lights*, a man opens a pizzeria in a small Alaskan town, naming it after himself. But the locals call it “the Italian place” so he changes the name.⁸⁴

Possibly the worst example of fighting the customer is New Coke.⁸⁵ You’d think if you have a new product, you’d add it to the line and keep what was already selling well....But, no. Coke withdrew its “Classic” Coke on April 23, 1985 and replaced it with New Coke.

There was a huge public outcry (even Fidel Castro complained.) Some people tried to obtain the “old” Coke from overseas where New Coke had not yet been introduced. Less than 3 months later, Coke brought back “Classic” Coke. ABC News interrupted regular programming to let people know.

The funny thing is, there is evidence consumers thought New Coke tasted better than the old version. Had the company brought it aboard as another product, they probably would have had a success, rather than a marketing failure. Don’t fight the client if they’re buying.

There are federal laws regarding advertising. (Your state may have others.) Ads must be⁸⁶

- Truthful and non-deceptive.

You can't lie about a product or service. If an ad omits an important fact to the consumer's decision to buy, it is deceptive.⁸⁷

- Claims must be capable of being supported by evidence. Saying in an ad massage cured something would require objective evidence if the Federal Trade Commission comes asking. Testimonials from clients saying "I had "this" and her massage cured me!" would not be enough.⁸⁸

- Fair

Testimonials must reflect customers' typical experience. You are not permitted to advertise just the best letters you get unless you publish a disclaimer. Then "the ad must clearly disclose either what consumers can expect their results to be or the limited applicability of the endorser's experience. Saying "Not all consumers will get these results" or "Your results may vary" is not enough."⁸⁹

The word "new" should only be used for 6 months to describe a service or product you've added, according to the Federal Trade Commission.⁹⁰

Key Points

- Ask your clients where to advertise and get feedback on your operation.
- Think of your computer as the new telephone.
- Don't fight the client if they're buying.

Chapter 8

The Business Plan

Once you've thought about the issues discussed in the first seven chapters, it's time to plan.

If you're going for a loan, a prepared plan will be essential. If you're not, you might be tempted to skip this step. Many people have. However, Fred Smith (the person who started FedEx) writes

It's absolutely essential to have a conservative business plan that is detailed and achievable.⁹¹

The business plan includes⁹²

- Cover sheet
- Executive Summary. Brief. Information can be presented as bulleted (as the list you're reading is). This is the last section you write, although it is the first that appears in the plan. Includes:⁹³
 - Mission Statement
 - Proposed date to begin business
 - Founders and their roles
 - Number of employees
 - Location
 - Description of facilities
 - Services
 - Banking relationships/investors

- Future plans
- Statement of purpose
- Table of contents. Broad. Avoid detail in the table of contents.⁹⁴
- The Business
 - Description of the business⁹⁵
 - Nature of business
 - Primary factors for success (your competitive advantages)
 - What market needs are you satisfying?
 - How will you satisfy those needs?
 - Identify who has those needs
 - Services/Products.⁹⁶ Uses more detail than the description of the business.
 - Describe services/products from client's perspective. Emphasize benefits to clients.
 - Identify the problem the target market has and your solution
 - Your advantages
 - Evidence clients are willing to buy your solution
 - Marketing
 - Market analysis⁹⁷
 - Industry description and outlook
 - Identify your target market
 - Size of your target market
 - Your market share and how to achieve it
 - Pricing and gross margin targets
 - Resources to research target market
 - Media to reach target market
 - Purchasing cycle of target market

- Trends and potential changes
- Competition⁹⁸
 - Identify each competitor and their share of the market
 - What are their strengths?
 - What are their weaknesses?
 - Are there any barriers to your competing with them?
 - How long will it be before new competitors enter the market?
 - Regulatory restrictions
- Operating Procedures
- Personnel⁹⁹
 - Names of owners
 - Percentage of ownership
 - Involvement with company
 - Profile and qualifications of management team. Quantify achievements—“raised appointments 15% in last position”
 - Name
 - Position
 - Primary responsibilities and authority
 - Education
 - Unique experience and skills
 - Prior employment
 - Past track record
 - Industry recognition
 - Community involvement
 - Compensation basis
 - Who does what? What is their background?
 - Salary
 - Benefits

- Incentives
 - Promotion
 - Organizational chart
- Business Insurance
- Financial Data. Use graphs where possible.¹⁰⁰
 - Loan applications
 - Capital equipment and supply list
 - Balance sheet
 - Breakeven analysis
 - Pro-forma income projections (profit and loss statements)
 - Three year summary
 - Detail by month for first year
 - Detail by quarters for second and third
 - Assumption on which the projections are based
 - Pro-forma cash flow
- Supporting documents
 - Tax returns for last 3 years
 - Personal financial statement
 - Franchise contract and franchisor's supporting documentation (if a franchise)
 - Copy of proposed lease
 - Copies of licenses
 - Copy of résumés for all principals
 - Copies of letters of intent from suppliers
 - Letters of reference¹⁰¹

Sample salon business plans are available at
http://www.bplans.com/beauty_salon_and_day_spa_business_plan_templates.cfm

Material from the business plan can be used to acquaint new employees with the business.

A lender might want to see all the above depending on the lender and the economic climate.

Chapter 9

Once Inside

Room colors can affect the mood.¹⁰² You may recall certain prisons were painting their walls sort of a bubble gum pink named Baker-Miller Pink. The color temporarily curbed hostility in prisoners. Certain schools picked up the idea and painted the locker rooms reserved for the visiting teams pink. This was reported to have made the opponents less aggressive on the playing field.¹⁰³

Certain colors are considered healing colors such as turquoise. You might want to do some color research so you can create the right effect for your business.

Be sure it is written into your lease that you can paint because you will need your landlords okay before you do so.

Good color choices for a massage treatment room:

- Blues—calming. Usually lighter shades.
- Greens—calming, restful for eye
- Purples—restful in lighter shades¹⁰⁴

Poor color choices for a massage treatment room:

- Black—power, mystery, sadness¹⁰⁵
- Crimson—makes some people irritable

- Orange—energizes, excites and enthuses. Good choice for an exercise room.
- Red—energizes, raises blood pressure
- Yellow— supposedly frustration and anger

I believe these are generalities about color. Some individuals may respond differently just as some cultures.

Don't forget the ceiling. A ceiling with a light color visually raises the walls. A dark colored ceiling lowers the walls visually, which can create a cozy feeling.¹⁰⁶

Do you issue gift certificates or gift cards? The interesting part about these is that some of them are never cashed in.

Technically, when you collect the fee and issue a gift card, it is entered on your books as a liability until it is redeemed by the client.

Being able to move unused gift cards out of liabilities depends on whether or not you have an expiration date on the card (check for state law on this) and your state's law on abandoned property. Massachusetts requires you to wait 3 years before "claiming" abandoned property—moving the money you collected out of liabilities.¹⁰⁷

Practically, you took in money and had to do no services for it.

How many gift cards go unused? 10%¹⁰⁸, one estimate says. A steakhouse chain added \$2.2 million to operating income in 2007 from unused gift cards.¹⁰⁹

Maine has passed a law allowing the state to seize 60% of the unused cards' value, leaving the merchant with 40%. Cooperation from merchants is reported to be low.¹¹⁰

Remember to use the client's name:

What's the best way to greet a client coming in the door? Say their name. Using a person's name when speaking to them is one of the most powerful things you can do to make them feel at home.

I have a friend who still crows about the bank he used years ago. He walked in once every 6 months and the teller knew his name, even though all he had was a small checking account.

There are tricks to remembering names.¹¹¹

- Pay attention so you actually hear the name.
- Use it soon after you learn what it is.
- Imagine the name written on the person's forehead in your favorite color of Magic Marker. (People have favorite colors of Magic Marker?) President Franklin Roosevelt is said to have used this technique, remembering nearly everyone he met.
- Imagine writing the name.

- Hear the sound of each letter as you write the name.¹¹²
- Try to connect the name to another image.
- Use the name in conversation three or four times and particularly when the client leaves. But don't overdo.
- Actually write the name down and periodically review your list of names. Add any quirks, history or preferences here.¹¹³ Remember to keep this private, respecting the client's right to confidentiality.

Key Points

- Consider the effect of color when planning how your business will look.
- Unused gift certificates may give you unearned money.
- Remembering the name is the best way to greet a client.

Chapter 10

Problems

Did you know this class came with a guarantee? The Federal Trade Commission says guarantee have to be very plain so I'll try to be explicit:

If you open your own business, I guarantee there will be problems.

That's not necessarily a bad thing. But they're going to be there.

If something goes wrong and a client is upset, you can simply say you're sorry. It's powerful. Avoiding responsibility has become so prevalent in our society, the person who admits theirs can defuse the situation. Also sometimes when the client is wrong you can fix it anyway.

There was an office conference consumed with arguing about who made the problem, and getting nothing done. One smart manager stepped up and said, "Hey, it's my fault....Really sorry about that." Everyone knew this fellow had nothing to do with it. But his tactic made them realize how petty they were being and the meeting was able to move onto a productive topic.

The client interacts with the faceless, big corporation not-my-fault culture so often that sometimes all that is

needed is a confirmation that someone does care and will try to put it right: “I’m sorry” works well.

In the late 1970s, AT&T was the telephone monopoly in the United States. The company refused to let its customer service representatives say “I’m sorry.” Thus customers with a problem got madder and madder. The reps couldn’t say the simple sentence that might calm them down. I’m not saying this is why AT&T was broken up in 1984—but it might have contributed if they irritated the wrong people.¹¹⁴

Properly done, an apology has no excuses or defenses. It does have, at least implied, a promise to fix the problem.¹¹⁵

JFK was known for his handling of criticism. When he was president, there were peace protesters outside the White House in the winter cold. JFK sent two of the kitchen staff out with hot coffee for them. It was the stroke of a master.

Problem Cascade

Problem cascade is the theory that problems are not isolated—they occur in sequences. The mortgage industry has a saying for this, “When a file goes bad, it stays bad.”

The most intensely studied problems are spacecraft and aircraft disasters.

NASA noticed debris falling off the space shuttle at each launch. The problem was not within the design parameters (nobody had planned on this). But since nothing bad happened, they began to think there was no problem. At each shuttle launch, they issued a waiver, allowing the shuttle to fly despite this issue.

In 2003 their ignoring the problem came to an abrupt halt when shuttle *Columbia* disintegrated on reentry due to damage caused by a piece of foam which had fallen off at launch 16 days earlier.¹¹⁶

The cascade effect was caused by ignoring the problem at each launch. In fact, it probably became increasingly easier to issue the waivers as more foam fell off the craft without creating any discernible damage.

A Boeing 747 owned by Japan Airlines was involved in a small accident on June 2, 1978. The rear pressure bulkhead was damaged.

The repairs after the accident were done incorrectly. On August 12, 1985—seven years later—the bulkhead failed in flight. The explosive decompression ruptured the hydraulic system, rendering the jet uncontrollable.¹¹⁷

The problem cascade—or really bad luck—was that the initial accident wasn't the end of it. The small accident was followed by a mistake, which ended in the loss of the plane. As of this writing, it remains the single most deadly commercial aircraft incident.

The point is to try and interrupt the cascade by asking “Is the problem I’m having right now contributing to another, possibly greater problem, down the road?”

Of course, this checking can be taken too far. One supervisor treated every little problem as the impending loss of another shuttle. He constantly created systems to avoid minor problems reoccurring, burying his employees in minutiae and worry.

Still it is sometimes useful to ask—am I handling just one problem or am I in the middle of something bigger?

Earl Nightingale suggests a system for solving problems.¹¹⁸ Though it seems rather involved, you may find it useful for bigger conundrums:

- Write the problem down.
- Write all the possible solutions down.
- Put this in your purse or pocket and keep thinking about it. Are there any books or experts you could consult? Avoid talking to friends or family if they have no expertise on the problem.
- Talk the challenge (instead of the problem—Earl Nightingale was big on positive thinking) over with someone whose opinion you respect and who might be able to help.
- When you have the solution, write it down.

The Upside of Problems

The only way we improve is through problems. A patent attorney was bothered about the trouble of getting copies. So he invented the Xerox machine.

If we didn't have problems, we might vegetate. An experiment in California gave one tank of amoebae the perfect environment—total comfort. All the conditions were just what amoebae love.

In another tank, the scientist kept giving the amoebae rude shocks—rapidly changing the fluid level, temperature, protein and everything else.

To the surprise of the researchers, the amoebae in the second tank grew faster and stronger than those cosseted in the first tank. Apparently all the problems they had only made toughened them up.¹¹⁹

Employee Problems

In any business there is generally a small segment of employees who will pilfer. They may, without your knowledge, take clients, materials, time or money.

One bailiff in a courtroom was running a bookie operation. How he managed all those phone calls with defendants and lawyers all around, who knows. He should have gotten credit for creativity. Instead, he lost his job.

Video surveillance is not a sure-fire solution to theft, although it's widely used. If you plan on using it in your business, install it before hiring so there are no surprises or resentments. You might stress it is for employee safety.

Employees are going to criticize you. It's almost human nature. Nobody's perfect. But if you don't look weak to your employees, if you try to be fair and understanding, you will win their respect. You can care, you can even worry, but don't get emotional; especially never get emotional over anything to do with business.

General McChrystal made disparaging remarks about some administration officials in a June 2010 *Rolling Stone* interview. President Obama fired him.¹²⁰

Whatever the merits of that case, General McChrystal had become an embarrassment and perhaps an instigator. Firing a criticizing employee may be the only thing you can do if they are the type of person that likes to stir things up. On the other hand, if they are just telling the truth, it would be worth it to you to fix the problem.

The first thing to do is determine if the claim is factual. Do this alone and before you talk to the employee. Is there any truth to what the person is saying? Is there really a problem to be solved?

When you see the employee, concentrate on the problem and the solution. *Don't disparage the criticism at all.*

Here's why: you need all the ideas the employee has. You don't want to gum up communication by complaining about the employee's complaining.

One employee at a mortgage broker went to the home show. He thought his company could offer loans to these people who were interested in home improvement—and everybody going to the home show was in that category.

Year after year he sent memos to the company's president. One year his supervisor even attached a note, "I think this is a good idea." He heard nothing.

Year after year, he saw more brokers opening booths and offering loans at the home show. However, the message at his work was clear: "Keep your ideas to yourself." Today, that company is no longer in business.

Richard Branson, on the other hand, thinks differently. He's the industrialist who founded the Virgin conglomerate: Virgin records, Virgin Airways, Virgin Trains, and so forth. He gives his personal phone number and email address to employees. If they tell him an idea, he writes it down in the notebook he always carries.¹²¹

Someone walking with Henry Ford saw a man sitting in a room doing nothing. He asked Mr. Ford why the gentleman was on the payroll. "He once had an idea that made me \$100,000." Ford answered. "I'm hoping

he does it again.” That’s why Branson wants employee ideas.

In 1974 Art Fry noticed that a glue invented 6 years earlier by a colleague would permit a note to be stuck on his hymnbook and then re-positioned. His employer, 3M, was very interested in the idea—and has since sold millions of them.¹²² You’d probably have trouble finding a desk without a pad of Post-It notes on it.

Employee ideas are so important that some companies (such as 3M and Google) let technical employees spend 10-20% of their time on personal projects related to the companies’ business. Reportedly Gmail and AdSense are products which originated from such personal time (called “bootlegging”).¹²³

So when you find an employee criticizing you, be open minded.

Your Problem is Not Unique

Your problem—whatever it is—isn’t unique. Someone else has had it—and probably solved it. For example, I was trying to get my cell phone to alert me when I receive a certain type of email. The cell phone customer service was no help. All they were geared for was to sell me worthless additional services.

On the second day of trying to solve the problem, I finally asked just the right question on Google. Someone had posted the workaround.

Entrepreneurs can get similar help, meeting with like-minded people for breakfast or lunch. You want the kind of meeting where there's lots of discussion. So you can throw out your problem and someone says "Oh, yes, I had that. Here's what you do." Meetings with just a speaker are less desirable from this perspective.

Key Points

- “I’m sorry” is powerful.
- Interrupt the sequence in a chain of problems.
- Problems are useful.
- You need employee input.
- Meet others to exchange solutions.

Chapter 11

When to Call a Lawyer

The problem is by the time you figure out you need a lawyer, it may be too late.

Two women lived together in a house in Garden Grove, California for 30 years. That state limits property tax increases unless certain events occur. When one of them died, it was one of the events which trigger reassessing the property tax from \$960 annually to \$4,000 a year. How is the retired survivor, age 75, going to pay that kind of money?¹²⁴

Unbeknownst to her, had she consulted an attorney earlier, she would have learned had the two women registered with the state as domestic partners, there would be no reassessment when one of them died.¹²⁵ But who would have thought to consult an attorney?

You may go your whole career without speaking to an attorney (lucky you). But, to be safe, you should check in with one before you sign any long term agreement with anyone else. Examples include a lease you're not clear on or a partnership.

You will have long term agreements with various governments, called laws. These come in at least three varieties—laws passed by the states, regulations created by state agencies to implement the law in detail, ordinances enacted by counties and cities.

You may occasionally need an attorney's help in figuring out how these various rules apply to you.

Sometimes the governments passing the laws don't know what they mean. One city said it was illegal to massage during certain night hours. Because their definition of massage did not include compensation, this effectively prohibited average citizens from massaging during that time.

Is that what the city council meant?...Probably not. Is that what the law said? Yes. (The city has since changed the law. Now it's OK to massage your spouse.)

But even the law passed by government is not the *real* law. Often the law is interpreted by the courts. Judges can sometimes look like they're turning the law inside out.

Finally, the people who enforce the law—generally police departments—read the words in their own way.

One officer pulled a motorist over on the freeway. He said when passing another vehicle, you cannot go more than 10 miles faster than the car you're passing.

This was a surprise to the Highway Patrol spokesperson and several other officers who knew of no such law. This one officer was enforcing his own version of the vehicle code.¹²⁶

So it's not enough to read the law. You need to know if the courts have changed it and how the authorities are enforcing it.

If there is a particular statute or rule that you're concerned about, an attorney will be able to figure out what it really means. A lawyer may even know how the local authorities are handling that law. Or you may have to ask them yourself in writing.

How to find a lawyer

Stay away from referral services. They are often offered by the local bar association. The problem there is attorneys signed up for these are probably young and starting out. Established attorneys may not need to get clients that way.

The best way to find a lawyer is to ask around. Do other therapists, friends or family recommend someone? If so, ask questions. Did the attorney listen? Was the work performed as promised and on time? You can't ask if the cost is reasonable (it never is) but you can inquire if the lawyer quit billing when the case was over and if they kept hitting the client up for more fees as the case went along.

Movers dropped a refrigerator on themselves going down stairs. They sued the landlord and departing tenant. Months after the case settled, the tenant's attorney was still sending bills, allegedly for phone calls he was still making. It took a sharp rebuke to get him to stop.

Once you have a candidate or two in mind, check them out.

- Check their discipline record online. Some states (such as California) have this information online. Others (Florida as of this writing) do not. Search (such as on Google) for this phrase: (your state) state bar membership records.
- Google them to see if there are any complaints.
- Set up a get acquainted visit. There should be no charge for this.

The biggest complaint about attorneys is they don't keep clients informed.¹²⁷ If your research gives any hint your prospect is afflicted with this malady, move on.

If you are near a law school, they may have a low or no cost legal clinic. Law students handle real cases, being supervised by an experienced lawyer. You perhaps have a better chance of being represented by them if your case is unusual, giving the students something to learn. But it's worth a call if money is a big issue.

How to win in small claims court

- Press your clothes. Dress neatly and formally. Nobody else does.
- Prepare your presentation in advance.

- Anticipate what your opponent will say and be prepared. But if they forget to mention something on their behalf, don't you bring it up.
- Practice your presentation. Be succinct.
- Gather all your evidence, even if you think you won't need it.

A woman was being sued by her landlord for back rent. Waste from her toilet had backed up into her bath tub while she was sitting in it. The rental company would not fix so she moved out owing the one month's rent, which she used to rent a new place. The rental company was suing her for two months rent.

It was suggested to her to: file a complaint with the health department and get them out to look at it and get a written statement from them. Try to find the actual owner of the building and tell them how the management was shabbily run. Take pictures of the mess and keep records of all communication, including names, what was said, time and dates. Send the rental company a return receipt letter repeating their verbal communications. Bring all this including her canceled checks for the rent to court.

She brought nothing.

She was outraged the rental property attorney lied in court. She was hurt the court did not believe she had a plumbing problem and only owed one month rent. She was shocked the court ruled she pay rent she had already paid.

Had she brought those things into court, chances are the judge would have seen the rental company had been negligent and failed to provide livable quarters. She might not have had to pay anything.

- Use posters with diagrams if this will help explain the story.
- Prepare questions to ask your opponent.
- If the judge starts talking, you stop. Even in mid-word.
- Don't yell "Objection" when your opponent is talking. This court is more informal. In fact, don't interrupt your opponent at all.
- Be respectful. Don't get upset or shout.
- If the court invites you to participate in mediation beforehand, don't say too much during mediation. (Don't show them all you have or they will be prepared for it if you go to court.)

In one car accident case, plaintiff (the person suing) said in mediation the crash occurred at 60-70 miles an

hour. Defendant's insurance representative said, no, we have proof it was a low-speed collision.

The plaintiff, now knowing she could be caught in the lie, changed her statement before the judge when mediation failed. The court awarded her half of what she wanted. Had defendant's insurance representative kept quiet in mediation, plaintiff's ludicrous story would have been blown apart in the courtroom. The insurance company would have paid nothing.

Small claims court will not be like *Judge Judy*. The judge will be much politer. Actually, the judge may not be a "real" judge. Likely, the person up there is a judge pro tempore (often called "pro tem"), an attorney who is donating time to help out with the case load. ("Pro tempore" is a Latin phrase that means "for the time being;" in other words, a temporary judge.)¹²⁸

Key Points

- Find a lawyer before you need one.
- Find a lawyer by asking around—then make a preliminary evaluation of the attorney during a free visit to his/her office.

Chapter 12

Big Versus Small

Working IN the business frequently prevents us from working ON the business. We're so busy putting out fires and doing little things that we don't get an opportunity to look at the big picture. ¹²⁹

"People tend to do what they are good at and that which they enjoy doing. This does not necessarily mean they are doing what is best for the company."¹³⁰ One employee was great at creating forms on the computer. She spent hours doing that instead of making the sales calls the company needed.

At least once in a while, we need to climb above the forest and take a look around.

- Is what I'm doing meeting my goals?
- More exactly, what am I doing that is increasing my capital?
- Is there something I can do to meet my goals/increase income?

Frank McKinney, a self-described "real estate artist" selling very high priced homes in Florida, takes every Sunday to review the past week and plan the upcoming one, always checking to see if he's accomplishing his goals. (His book, *Make It Big*: 49

Secrets for a Life of Extreme Success (2002), though flamboyant, is well worth reading.)

As I discuss below, you don't need to invent good techniques. McKinney got the idea for his weekly review from Stephen Covey. But he made it his own and believes it is an important part of his success.

When thinking about how to innovate, don't evaluate. Write down all your ideas—wacky, crazy, nutso. Leave the sifting for later.¹³¹

Discovery consists of seeing what everybody has seen and thinking *what nobody else has thought*.

--Jonathan Swift

You don't have to invent anything new. Sam Walton studied his competitors and borrowed liberally.¹³² Bill Gates didn't invent DOS (an early computer operating system)¹³³ or Windows.¹³⁴ He got both from other people, and made a fortune.

Doomsayers said people wouldn't pay for overnight delivery. FedEx proved them wrong in 1973. You can't compete with FedEx, they said, but in 1991 OnTrac did, carving its own market niche.

By delivering only to 6 western states, OnTrac was available to offer later pick ups than FedEx (7 pm) and charge less.¹³⁵

OnTrac didn't invent anything. It just did FedEx one better.

What "can'ts" do you have? Where do they come from?

Key Points

- At least once in a while, we need to climb above the forest and take a look around.
- There is a way to improve on what established businesses are doing. It's up to you to find what that is.

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