

The Five O'Clock News[®]

from America's Premier Career-Coaching and Outplacement Service

\$4.95

March 2006

A Publication of The Five O'Clock Club[®]—www.FiveOClockClub.com

Vol. 20, No. 3

"One organization with a long record of success in helping people find jobs is The Five O'Clock Club."

FORTUNE

Should You Have Your Own Business?



The Starting Point

"I know. I'll develop my own action toy and have a movie character and comic book." "I love eating out. I'll open up a restaurant. How hard can it be?" "I've thought of a \$2.00 novelty item I can sell to businesses." "I'll open up my own (fill in the blank) store."

I've heard them all—and the good ideas, too. Ideas are easy. Planning and execution are everything. Most would-be entrepreneurs with an idea think the first thing they should do is incorporate—and maybe get some space. They think the purpose of a business plan is to get financing. But they have not thought through their idea, tested it to see what it actually takes, developed a business plan that helps them to run the business, or figured out the steps it would take to make the idea work.

**Ideas are easy.
Planning and execution are everything.**

That's the American way: fire and then aim. Ninety percent of all American small businesses fail within the first three years. Yet the local Korean grocery stores or Indian-run motels tend to be successful. Why? They start out with a realistic, time-tested plan.

The primary purpose of a business plan is not to raise capital, but to force the entrepreneur to think through the business concept, research the competition, and develop realistic financial projections—all to increase the chance for success.

Some businesses are more complex and more difficult to start than others, but the successful people I've worked with take, on average, two years from the time they *thought* of having a business until they were ready to start *implementing* the plan. Let's see if you have what it takes to have your own small business.

The Benefits of Having Your Own Business

According to the SBA, small businesses provide approximately 75 percent of the net new jobs added to the economy and employ 50.1 percent of the private work force. If you decide to have your own small business, you won't be alone and you'll be part of the engine that's driving the U.S. economy.

Having your own small business can mean anything from buying an existing business, opening a retail store, buying a franchise, starting a growth business, or becoming a consultant in your own field. Doctors, lawyers and architects are often in their own businesses. You can work on your own, with others, or have employees. You can work endless hours, or work part-time while keeping your day job. You may need investment capital or you can bootstrap your company—by using your own money and reinvesting profits in the business.

Having your own business can be fun—and sometimes nerve-racking. There are many advantages:

1. You will be your own boss. You decide the kind of organization you want, the people you want to work with, the values you hold dear, and exactly how you want your small company to operate. You can decide how your employees should dress for work, how they will treat each other and your customers, where the business should be located, and generally how you want to live your life. One very successful entrepreneur said to me, "I always leave at five o'clock. Five to nine is 'mommy

In this issue

- ◆ **Retaining High Potentials: What HR Does**
- ◆ **Start with the Seven Stories**

time.' Then I'm back on my computer working again and at work early the next day." That's what she valued and that's what she got.

My needs were different. At a certain period in my work-life, I wanted to be able to take a brief afternoon nap when I felt the need, which was not all that often. It was important to me to have that freedom, and I know I produced more because I was well-rested.

A major motivator for entrepreneurs is that we don't want to work for anyone else. We want to be in control of our own futures as much as we can. We want to call the shots. If the business fails, it's our fault. And if it succeeds, it's also because of us.

You can decide the kind of life you want to live, the ideals you value.

2. Long hours, maybe. When you work long hours for a boss, those hours often *feel* long. But when you're working for yourself, you decide the kinds of hours you want to put in, you're doing it for yourself, and the hours just don't seem as long. What's more, you can decide what your hours will be. Some people have businesses that don't get started until 10:00 A.M. In addition, from time to time, in the early days, I would say that I wanted to leave early to go to the movies. Now, I arrive very early in the morning—way before anyone else—and no one begrudges me this flexibility. The staff has flexibility as well—to do what they consider important.

3. Live your ideals. It's your business. You can decide how you want your business to function. I set the tone for the business, most importantly that the job hunter comes first, that we must always act ethically, pass up business and press coverage that would not be in the best interests of our clients, and so on. Even when times were tough, we turned down press coverage that would negatively impact job hunters or

employees. We turned away business from rich companies that wanted to provide their employees with very little help during their career transition. Those who wanted to cheat their employees could work with one of our competitors. We didn't *have* to work with everyone.

It's *your* business. Decide how you want it to work, the kinds of people you want to work with, and the kinds of clients you want to have.

Decide as well how you want to run your shop. Most of our staff has flex-time, and we have no scheduled holidays off. If someone wants to work on Thanksgiving Day and the day after, that's fine. He or she may use the hours off at some other time. When people join the company, they earn two days off a month, which they can use for sick time, vacation, holiday or personal. They don't have to tell us *why* they want the time off. If they want a day off, they can have it. If they're sick, they're sick and they've can use a day. We don't have to be "mommy" and decide what's okay for them. It's a fun way to work.

Decide how you want *your* company to operate.

Small business owners have a significantly higher probability of being classified as high income and high wealth.

4. Earnings and growth potential are far greater than when you work for someone else. The tax system in America was created for entrepreneurs. When you discuss business over lunch, that lunch is a business deduction. The government is paying for part of it. When I have my hair done for a TV appearance, that hairdresser expense is a write-off. (Clothing is not, however.)

The average millionaire in America looks like the person next door—as a famous book described it. That millionaire does not live like Donald Trump or work on Wall Street. He or she lives in a

modest house, lets the car get old, and generally lives beneath his or her means. That's how they become millionaires! If they had spent the money, they wouldn't *have* the money. A person who *looks* impressive may be amassing *debt* instead of wealth.

The average millionaire runs a common, small business (makes spiral staircases, soap or cookies, catering or cleaning houses) and runs it well. An SBA study concluded definitively that, although small-business ownership is risky, small-business owners had a significantly higher probability of being classified as high income and high wealth. Yes! This country was made for entrepreneurs!

Thomas J. Stanley, the author of "The Millionaire Next Door," (which stayed on the *New York Times* bestseller list for more than 150 weeks), studied thousands of millionaires. He found, unsurprisingly to us, that millionaires choose careers that match their abilities. They are creative and practical. They focus on a goal, take calculated risks and then work harder than most people. Almost none of them credit their success to being smart. They say the keys to success are being honest and disciplined, getting along with people, having a supportive spouse and working hard.

Somehow they figured out what they enjoyed doing and also did well. They decided to be the best at something they love—something that was also marketable.

One of Stanley's case studies is Donald Sonner, the head of Southern Bloomer Manufacturing Co. in Bristol, Tenn. Sonner's only education was a single year of high school, but he was a millionaire by the time he was 24. His company takes scrap cloth and makes gun-cleaning patches and underwear for prisons. He got rich by working hard and capitalizing on an idea no one else had.

I read the obituary of the multi-millionaire son of a former slave. The son ran a limousine service that specialized in meeting the needs of the rich

and famous. He had lots of employees, ran a mundane business very well and became rich.

5. Running a company is exciting and endlessly interesting. Because your business is small, you can notice something that's wrong and fix it without going through a huge bureaucracy. Yes, you need advisors, or a very sharp staff, but it's not the same tedium as trying to convince your boss and your boss's boss and five other departments why this thing should be done.

There is so much to learn! You'll find yourself interested in other small businesses, what they do, and how they're run. As the business grows, your role changes. For 19 years, I ran small groups within The Five O'Clock Club, coaching people on their searches. But the business grew too large to allow me to indulge myself that way. I had to let go, trust our highly qualified coaches to take care of our clients, and spend more time actually running the business. Essentially, I was kicked upstairs, and I'm now in a new career and loving every minute of it.

The Downsides of Having Your Own Business

It's not all roses. You have to ride through the rough spots and overcome any obstacles.

1. Isolation. This is the word I've heard most often from people who decided to pack up their business and get a job. Start-ups are hard—and often lonely. Twenty years ago, I hired a temp assistant from time to time just to have someone in the office, which was in my *apartment*. I sometimes needed a kick-start when my energy ran low. Some people rent office space in a temporary office center or at someone's law office just so they can be around other people. I had a part-time day job. On other days, I used to go out to breakfast in the morning—to get up and out, and then go back to my apartment and work.

Join associations so you can be

around other entrepreneurs or at least people who are in your field—or people you could sell your products or services to. Find some way around this problem, or tough it out.

Now I'm *surrounded* by people and have to arrive early for a little quiet and thinking time.

Live beneath your means. Run a business and run it well.

2. The lean years. There was a long period when my business was not doing well. No one knew it, but I was forced to move out of my apartment, selling everything I had, and sleep on a sofa in the office. I kept my underclothes in a bag in the bottom drawer of a filing cabinet and told the staff that the few clothes I kept in a closet were there in case I had to do a TV interview. At the end of the work day I'd leave with everyone else, walk around the block, and come back to the office, my new home. Now, with our business booming, I don't live the high life, but it's out of choice, not necessity. I tell you this to let you know that that for some years you may feel quite a pinch.

3. Meeting payroll. Small business owners will proudly tell you that the thing that separates them from non-entrepreneurs is that they have to meet payroll. Some even have had to lend money to their companies to meet this obligation.

It's almost the difference between being a child and a parent. Employees are akin to being children: they ask their employers for money, time off and trips. Small business owners are akin to being the parent: they have the responsibility for others, set their own hours, and give permission.

Your family and your employees depend on you. Your customers and vendors depend on you as well. Sometimes panic can set in. You have to

get a grip and make sure you don't over-extend yourself.

4. Regulations, filings, taxes, licensing. Do not mess up on filings, taxes and other paperwork. Provide 1099s for consultants and W-2s for employees. There are health-care issues, tariffs, duties, the FDA and other regulators, depending on the kind of business you have. In the early days, when we had little income, the one thing I made sure we spent money on was trademark and copyright protection. Otherwise, we would have no business.

5. No steady paycheck. Working for someone else feels much more secure. Of course, the average American has been in his or her job for only four years, and workers don't know from one day to the next whether they will keep their jobs, so they don't have security either! That can be the reality! But it can be nerve-wracking when you're the one in charge of paying yourself.

6. "It would be great if it weren't for the people." If you want to grow your business, chances are you will have people working for you. One husband-wife team, with a small tree-service business, said they were burnt out and exasperated with the many issues involved with having employees. Some business owners decide they want to quit because they're so tired of irresponsible workers. But the only thing worse than being the boss is *not* being the boss! As the owner, you get to pick the work arrangements that best satisfy your needs. However, the great insight of management comes when you realize that meeting your needs results from figuring out how to better meet the needs of great employees.

The secret is finding employees who have standards that match your own. When we recruit, we ask prospective employees what kind of hours they worked in past jobs. If all of their jobs were straight nine-to-five, they won't be right for us. We don't work long hours,

and we want people to have personal lives, but when we land that big contract, we want all hands on deck working overtime for a few weeks. We don't want clock-watchers—those who somehow manage to show up precisely at nine and leave precisely at five.

Employees have to be managed. Everyone can work as a team, but you are still the boss and set the pace. You reward and give kudos to everyone who lives up to their potential, and counsel those who are not performing up to snuff.

No steady paycheck, lots of reporting, and the big one: Meeting payroll.

7. The price of failure. It's easier to get another job than it is to get another business. And when you lose your job, you won't usually lose your life's savings and your house. But small business owners may put up their house as collateral when taking out a small-business loan. They may use their life's savings (as I did). Try to save money before you start your business so you'll have a cushion.

Fred, one of my clients, had no cushion. His computer business, which he shared with his girlfriend, went bankrupt five years ago, well before I knew him. Now at age 53, he has been working as a realtor. He considers himself a good businessman and would like to have his own business again. However, he can't put away the \$15,000 he needs to get the business started while he continues to work as a realtor.

But, in truth, there is no hope for Fred. He recently went on a cruise with his bride-to-be, just months after they bought a new house and furnished it beautifully. They have an extensive wine collection. They are planning a big wedding, although it is the second marriage for both of them, and then another cruise. They are deep in debt and still buy gifts for each other and are thinking about getting a hot tub. I'm not sure

why Fred went bankrupt before, but I have an inkling. If they want to live the high life and he can't start saving, his small business has little chance of success.

You must make the same sacrifice for your business as you would for a little baby. You save in advance, pull in your belt, and sacrifice until the child is finally on his or her own. Until the business can comfortably support you, you must live beneath your means.

Why Small Businesses Fail

The high failure rate for small businesses is well known. And I can see why it's true. Below are some of the most common reasons.

1. Lack of planning. A group of yuppies opened a deli in my neighborhood. They probably figured, "I go to delis all the time. How hard can it be?" Because I'm interested in small businesses, I decided to give them a try. I ordered half of a roasted chicken. They said, "We only sell the roasted chickens whole." I responded, "That's just fine. I'll go right across the street where they'll sell me half a chicken." They were closed within four months.

Yet the Korean grocers who open tend to do well from the first day they open and most tend to succeed. A lot of Indians are attracted to running small motels, and they are successful. Greeks run coffee shops and are successful. That's because they all have a business plan of sorts. They tell each other who to buy from, what to sell, how much to charge. They don't go into it blindly. They are almost like franchisees, following a plan.

But Americans are action-oriented and think they'll figure it out as they go along. I've even heard very famous people brag that they don't have a plan, which adds to the mystique. But those business leaders *do* have a solid strategy, which they follow religiously. Sure, they let someone else figure out their detailed plans, but they are not as haphazard as many would like to pretend.

I heard a successful children's book author give a speech. People in the audience were dying to know to what she

attributed her success. She said it was pure luck, that she rarely got out of her pajamas, and the money kept pouring in. Yet she had many deals for related items, and she wrote four or five books a year. I believe she was far more planful than she appeared, and she simply didn't want to tell us any of her secrets.

I once appeared on the radio show of a major, nationally syndicated host. As we were waiting for the show to start, he asked about the contacts I might have at the prominent TV shows I had been on. He asked what I thought of each place. Then he bragged that he was lucky because he's never had to job search in his life! Things just happened to fall in his path. But that wasn't true: he was job searching continuously, although not formally.

Many successful people don't like to admit that they plan. It ruins the aura. But most successful people never rest; they are always aware and always planning—and modifying their plans depending on what they learn.

My mantra for a dozen years: "Keep panic at bay."

2. Lack of experience. Like the deli owner above, many people go into businesses where they have no experience and have done little research. Remember, it takes *two years* of planning and research before you can actually plunge in.

3. Lack of financing. Some people think the first thing they need to do is raise money for their new business. But banks and investors are unlikely to give you money unless you have plenty of experience, a good business plan, a strong management team, and collateral. Many companies, including ours, take the boot-strapping approach. We grew slowly, sometimes too slowly, but with our own money. We put back into the business whatever money we made, and we contributed our own money. This gave us the independence to do

what we wanted. Investors are often eager to get a quick return on their investment. But we wanted to do what was in the best interests of the job hunters and those who came to us for career development advice—and not charge them an arm and a leg. Investors would not have tolerated this idealistic approach.

Remember: keep panic at bay.

4. Weak management team. You can't know everything yourself. You need advisors or people who work for you who are knowledgeable. Over the years, I have received advice from the SBA, from SCORE, and from various executives who took a special interest in my business. They found it exciting to listen to the business model and comment. I am very grateful to them. At the end of the day, however, you have the responsibility to make sure you are getting the advice you need. You need what is called "bench strength"—a strong management team. You need more brains that you have—others who are strong and knowledgeable.

I once heard the swan song speech of a famous venture capitalist. He had invested in 181 companies, only a handful of which were extremely profitable, and he made himself quite a fortune over the years. Now that he was retiring, he was willing to share his secrets with this eager audience. When someone asked what the successful companies had in common—were they from the same or similar industries, for example—he just rolled his eyes. If it had been that obvious, he would have invested in just those industries. Instead, he had invested in everything from start-up pharmaceutical companies to a limousine service. He said his analysis showed him that it wasn't the kind of *business* they were in that made the difference. *It was the strength of their management team.* He believed he could have taken those same successful man-

agers and given them a completely different kind of business to run and they would have been just as successful.

Most managers tend to hire people who are just like them: the same nationality or race, same age, even similar personalities. In today's economy, you usually need different criteria for who you choose to work with. I've noticed that some of our Five O'Clock Club coaching managers choose for their teams coaches whom they personally like. But whether or not I *like* a coach is irrelevant. What's relevant is the competence of the coach and how well the coach relates to our diverse range of clients. We can't have coaches who are all alike because the clients we service are very different.

Our back office is similar in its diversity. We look like a little United Nations. We want very bright, hard workers, not those who were born with a silver spoon in their mouths, but those who want to work hard and are innovative and do what it takes. These kinds of people come from all nationalities, cultures and personalities. And it makes the workplace interesting. For example, during Ramadan, when Muslims fast for an entire month, we refrained from our monthly employee lunch out of the office until Ramadan was over. Then we "broke fast" with our Muslim colleague, which was interesting for us.

Other reasons for failure.

- o **Location.** Depending on the business, it can fail because of a poor choice of location. One of our clubs doubled in size when we moved it.
- o **Emphasis on appearances.** Many businesses fail almost immediately because the owner is more interested in the appearance of having a successful business rather than actually having a successful business. For example, rather than operating out of home to start and keep expenses down, some people think it's most important to have an office and two staff members. That may be true in some cases, but often not.
- o **Lack of control over expenses.** It's

amazing to see a start-up business spend money as if it were extremely successful. As Richard Bayer, our Chief Operating Officer, reminds us, "The profit is at the margins." This means that we watch our pennies, and don't spend money as if it didn't matter. Do you really need the best furniture? Do you need to use FEDEX or UPS rather than the Post Office?

- o **High growth can kill a business.** You may think you want the business to pour in, but make sure you can handle it. Once, after there was a huge write-up about us in the *New York Times*, we were flooded with people who wanted to attend our groups. We had to explain that it was like a restaurant that got great reviews and then accepted every reservation. It would make for a very unpleasant dining experience. There are only so many tables and so many wait-staff. So, too, with our business. We formed a triage system: those who were most in need (such as those who were unemployed) got priority. Those who were not in a hurry were placed on a waiting list. We had a four-month waiting list for those who were not in a rush, but when the person finally got in, he or she got good service and was treated well. You may think that we could simply add dozens of coaches and serve people that way, but in our old brick-and-mortar days we did not have our Insider Program (by telephone), which allows for the number of groups to ebb and flow.

- o **Low sales are a major problem.** In addition to having a good product or service, marketing (and pricing) is the key to every business. Over the years, we have been approached by many start-ups who wanted to partner with us. It's interesting listening to their plans for their businesses. But one striking similarity is the number who have developed a great product or service — and perhaps have raised millions in venture capital — but *have given little thought to marketing.* They are of the school of thought: "Build it and they will come." Well, they *don't* come.

The business owner cannot afford to get a lot of colds or otherwise be indisposed. Business ownership is fun, rewarding and exciting, but it's also a lot of work. Can you face six or seven 12-hour work-days every week? You may have to do that for a long while. So minding your health is vital!

5. What will motivate you to stick with it? Do you have the drive it takes to run a business? What will make you stick it out despite setbacks, even failures, unruly employees and customers, financial problems, and periods of burnout?

6. How self-aware are you? One of our employees had an idea a day. Most of them were silly and not well thought out. After months of this, I asked him, "Do you see yourself as a person who generally has good ideas?" His answer was a most assured "yes." But he was wrong. Successful people tend to be better at predicting how other people see them. Are you aware of your strengths and weaknesses? Or are you the type who thinks you're a genius simply because you're in a position of power or because your significant other adores you?

7. How good are you at making decisions—really? Small business owners are required to make decisions constantly—often quickly, independently, and under pressure. Are you willing to draw a team around you that can participate in the kind of decision-making where you may be weak? Do you *know* the areas where you are weak?

8. Have you ever worked for a small business before? When you were young, did you have ideas for having your own business? When I was 13, I ran my own baby-sitting business. On a typewriter, one at a time, I typed up "business cards" that said I "proudly announced the formation of my baby-sitting business." I listed the rates and contact information and distributed them everywhere. I was no Bill Gates, but still the drive was there. Over the years, I ran small ventures, and helped my father in his many

side businesses. As an adult, I worked for many small businesses (as well as large ones).

If you have had no contact with small businesses, you may be surprised by what you're in for. You may have to unclog the toilet. You are not allowed to disdain menial tasks. Take some pride in them. Later on, you can reminisce about the good old days when you were the one who had to paint the place.

9. How will the business affect your family? Your spouse may be panicky at the thought of your taking this risk rather than simply getting another job. He or she needs to know that it will take time. Make sure your finances are in order so you can weather the storm for the months or years that it may take. You may have to adjust to a lower standard of living or put family assets at risk in the short-term. If you work a day job and plan to start your business on the side, your family needs to understand that you will be preoccupied for some time and not have the time with them that you used to have.

10. Do you have a reasonable amount of self-confidence, ambition and drive, a passion for your business idea, and an optimistic attitude? You'll need all of these to keep yourself and others going, and to convince others to be enthusiastic about your product or service.

Entrepreneurs must demonstrate extreme self-confidence to cope with all the risks of operating their own business. Entrepreneurs have the need to achieve: Although they keep an eye on profits, this is often secondary to the drive toward personal success.

11. Do you have a willingness to learn financials? You cannot delegate profitability. You must understand the numbers *yourself* and review what the bookkeeper or accountant does. You must keep meticulous records and enjoy analyzing your business numbers. Otherwise, you will not price your product or service properly and will undercharge. You need to have a handle

on the *profit margin* of every product or service you offer.

12. Are you willing to work hard? In the beginning, there's no one but you. It's common for founders to work 60- or 80-hour weeks. You will have to be naturally industrious to make this work. If you've always been a slouch, chances are slim that you will now become a workaholic.

Well, now's your chance to back out. Would you rather have a paycheck and not have to worry about all of this? Then you can spend your evenings drinking beer and watching football games! Or do you want to join the group that "has to meet payroll." If you run your company into the ground, there will be nobody else to blame and no excuses will be accepted. If you think you want to pursue this further, hang in there. We'll step you through other small business topics in future issues.

Now, to summarize, what does it take to plan and succeed?

- o Decide what you want to do (we'll show you how in future issues),
- o Do something, some one thing (don't hedge your bets by starting three businesses at once),
- o Do it well,
- o Know your competition,
- o Work hard,
- o Have the discipline to do what needs to be done,
- o Use good judgment or rely on the advice of others who have good judgment,
- o Have the relentless ambition not to give up,
- o Be able to hold out for the long term—such as by working at something else to earn money or having plenty of savings,
- o Have well-grounded confidence in your business,
- o Want to be your own boss (many people stick to it just because they absolutely do not want to work for someone else), and finally,
- o *Keep panic at bay.* ●