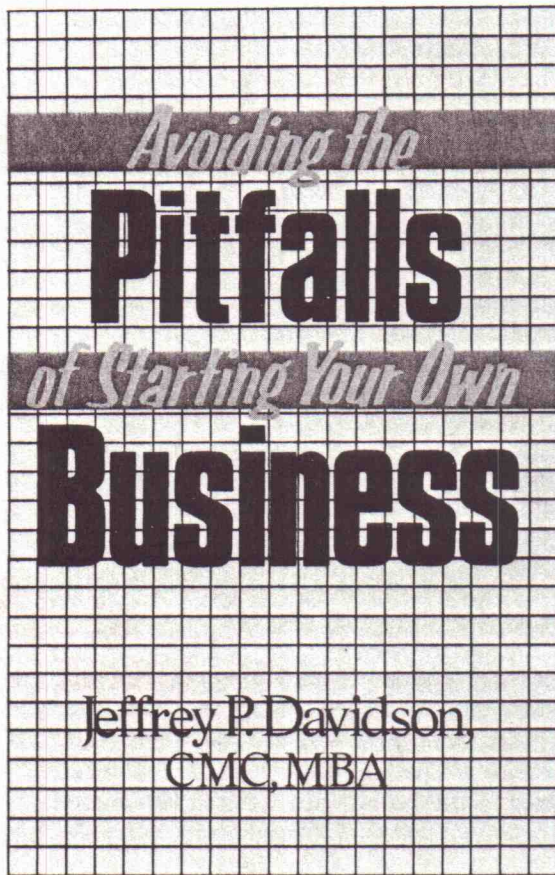


**"This book offers a stern warning that may help many entrepreneurs . . . comprehend the magnitude of the task of operating a business."  
— *Journal of Small Business Management***

## **AVOIDING THE PITFALLS OF STARTING YOUR OWN BUSINESS**

*by Jeffrey P. Davidson, C.M.C., M.B.A.*



The statistics are grim: Nine out of ten aspiring entrepreneurs wind up failures, jeopardizing their life's savings, their friends, and their marriages in the process.

In a no-nonsense fashion, certified management consultant Jeffrey Davidson has written the definitive work containing what every aspiring entrepreneur must know in order to succeed in beginning his or her own business. For anyone contemplating the start of a new venture, or those who seek to heighten their business skills in today's competitive marketplace, this is an indispensable handbook.

Davidson confronts the potential problems of being in business for oneself "head-on" from his extensive files of case experiences as one of the nation's foremost management consultants.

Some issues covered include:

- why businesses fail
- the multiple myths about being your own boss
- living with 14-hour days and 7-day weeks
- confronting the endless piles of red tape, paperwork, and government forms
- convincing your banker he should do business with you
- assuming too much help from your lawyer and accountant
- facing the Business Plan monster
- finding the right location

and there are hundreds more.

Mr. Davidson adeptly guides readers through the dangers that ensnare so many entrepreneurs—who are often quick to leap before studying the potential problems. The book is an eye-opening compendium of invaluable insights in business for those who dare to dream of making it on their own.

**Jeffrey Davidson, C.M.C., M.B.A.**, is the author of previous books on management and marketing topics and of numerous articles in leading business publications. He is a popular convention and seminar speaker and has obtained the highest accreditation in the management field: Certified Management Consultant. A graduate of the University of Connecticut, he has been named in *Who's Who in Finance and Industry* and Media Advocate of the Year by the Small Business Administration. He resides in Falls Church, VA.

Shapolsky Publishers How-To/Business  
268 pp., 6 × 9  
ISBN 1-56171-011-3 Softcover: \$10.95  
Ships September

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Published by  
the U.S. Chamber of Commerce  
Washington, D.C.

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The publication includes news of events at the center as well as commentary and research reports. The latest issue features an article by George Gilder warning against tax increases.

Write to *The Entrepreneurship Forum*, The Center for Entrepreneurial Studies, Graduate School of Business Administration, New York University, 90 Trinity Place, New York, N.Y. 10006; or call (212) 285-6150.

## Zero In On Reality

The biggest pitfall for an entrepreneur is an unrealistic attitude about what can be accomplished—and when.

That's what Jeffrey P. Davidson, author of *Avoiding the Pitfalls of Starting Your Own Business* (Walker & Company, \$19.95), told *Nation's Business* in a recent interview. "What I've found is that the typical entrepreneur expects to reach a certain level of revenue in one third of the time it will really take," he says. For example, an entrepreneur who expects \$200,000 in sales by the end of the first year probably will take three years to reach that level.

Moreover, Davidson warns, expenses are generally double what the start-up entrepreneur thinks they will be in the first year. There usually are various unexpected expenses, such as plumbing repairs or a charge for having the parking lot cleared after a snowstorm. Although sometimes small, these expenses add up. No matter how carefully you have estimated your expenses, says Davidson, "I still say double them, and you'll be closer to reality."

## Entrepreneurs' Bookshelf

Most business owners say their employees are their companies' most valuable assets. For those owners, a key to success must lie in creating a work environment where employees are happy, creative and productive.

Two current books can help an entrepreneur do just that.

*A Great Place To Work* (Random House, \$18.95), by Robert Levering, is subtitled *What Makes Some Employers So Good (And Most So Bad)*. In order to take a deeper look at what makes a workplace a great place to work, Levering revisits employees at 20 of the companies he profiled in an earlier book, *The 100 Best Companies to Work for in America*, which he wrote with Milton Moskowitz and Michael Katz.

One finding is that despite their reputations as exciting, caring companies where the norm is hard work and the atmosphere is like that of a big happy family, entrepreneurial workplaces have a darker side.

Managers of such companies avoid tying their own hands by shunning clearly established rules, Levering says. "They benefit from the employees' long hours of work. After a period of time, employees can burn out, and those who aren't willing to maintain the grueling pace can find themselves subjected to ostracism from the happy family."

In contrast, he says, a good place to work "provides room" for people who just want to work 8 hours a day and to have other commitments besides work.

"It's simply not fair for an entrepreneurial-style workplace to demand that work be the only thing in people's lives," Levering contends. "It gives people no room to grow or

become more fully human," he adds.

From an employee's viewpoint, Levering says, "a great workplace is one in which you trust the people you work for, have pride in what you do and enjoy the people you are working with."

*Take This Job and Love It* (Fire-side, \$9.95 paperback), by Dennis T. Jaffe and Cynthia D. Scott, is aimed at helping employees revitalize their work without leaving their companies. But in describing what makes work satisfying, the authors send clear messages to employers as well: "The most powerful companies have found the formula to make you want to do what the company needs you to do. They take time to inspire employees, and they respect and affirm the people who work there."

Jaffe and Scott, who are organizational consultants, contend that employee burnout is the result of companies operating on "obsolete assumptions about human nature." In such companies, they say, workers are paid to do specified tasks under watchful supervision and to be passive and unquestioning.

Traditional companies have operated like orchestras, where the music is selected by the conductor and the group is "synchronized into alignment."

But the effective new workplace, say the authors, is more like a jazz group where "there are major themes, but each person has space to improvise . . . However, despite all this individuality, the most meaningful music comes from a group where each member instinctively harmonizes with the others, and individual contributions fit into a broader whole."

(MR&S), a management analysis and accounting franchise based in Seattle, to work with him and his accountant.

The performance data MR&S compiled, some of it in the form of bar graphs and pie charts, showed such things as how much each tow actually cost the company and how to price services so both the customer and the company are treated fairly. "We were actually losing money on each tow for one of our major contracts," says Faulk. Armed with the data, Towmasters renegotiated the contract. Faulk's monthly bill from MR&S: about \$350 to \$400. Other companies that perform financial and management-analysis services include Comprehensive Accounting Corp. in Aurora, Ill., and Marcoin Business Services in Atlanta.



#### 4. TAKING CUSTOMERS FOR GRANTED

You have to actively monitor your customers, the competition and your market. No matter what business you are

in, you are really selling user benefits, says Stanley Rich, a founder of the MIT Enterprise Forum and president of Venture Resource Associates in Grantham, N.H. That means you should be asking yourself how everything affects your customer. What is in it for them? Ask for their suggestions—what they like or don't like about your product or service or what they wish you would do differently. Use any means you can think of, including postage-paid postcards, informal customer surveys or comment sections on bills or brochures. Never miss the opportunity to talk with customers and find out what they're thinking. Then make whatever changes it takes to get people coming back to you for more.

Winning customers from your competition is also a must for staying in business. Study their ads, sales promotions, sales literature and customer-service policies. Don't plan a sale, ad campaign or promotion without thinking about how your competitors will respond.

You need information about the market as a whole, too. Join trade associations—yours and those of your customers—business roundtables and other groups in which entrepreneurs regularly talk about business. And above all, read your industry's publications as well as the ones read by your customers.



#### 5. KEEPING EMPLOYEES IN THE DARK

Your employees are your key to happy customers. You can't afford to leave their actions to chance. Each one should be trained and should feel that he or she is part of a team effort. Meet with them regularly to explain company policy and review how to deal with the customers.

But don't be a Pollyanna. Face the unpleasant fact that some employees steal. In the early stages of your business, be sure to set up financial controls, such as personally signing all company checks. Consider building in what Jim Corlett, an IDS Financial Services planner in Walkertown, N.C., calls a "fudge factor." An owner of several supper clubs expected a 9% loss in revenues through drinks given away by the bartenders. He thought of it as advertising. But when he promised the bartenders a bonus for every percent under the 9% loss, freebies stopped.

### For More Information

The following sources can help you develop a feel for what good management is all about.

***Avoiding the Pitfalls of Starting Your Own Business*** by Jeffrey P. Davidson (Walker and Company; \$19.95).

***Business Plans that Win \$\$\$: Lessons from the MIT Enterprise Forum***, by Stanley R. Rich and David E. Gumpert (Harper & Row; \$8.95).

***Growing a Business***, by Paul Hawken (Simon & Schuster; \$16.95).

***How to Write a Successful Business Plan***, by Julie K. Brooks and Barry A. Stevens (Amacom; \$17.95).

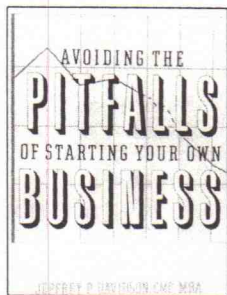
The *Small Business Reporter* series produced by the Bank of America, especially *Avoiding Management Pitfalls. Small Business Reporter*, Bank of America, Dept. 3631, P.O. Box 37000, San Francisco, Cal. 94137; \$5 each.

The Small Business Administration offers many publications. Ask your district SBA office or the SBA Answer Desk for the *SBA Directory of Business Development*.

## Avoiding the Pitfalls of Starting Your Own Business

By Jeffrey P. Davidson, paperback,  
\$10.95

(Shapolsky Publishers, Inc., 136 W  
22nd St., New York, N.Y. 10011)



Ask any life insurance agent what he likes best about the business he's in, and he's bound to say something about the freedom it allows him to be his own person, to

set his own goals, to keep his own hours.

That's entrepreneur talk, and in many respects, life agents are typical entrepreneurs. It's not unlikely, therefore, that they might suffer from the same misconceptions about what it takes to run one's own business as any entrepreneur.

This book is a real bubble-burster. Its goal seems to be to separate the wheat from the chaff—the real entrepreneurs from the wannabes—and it does so with great dispatch. Anyone who doesn't have the willingness to devote endless hours and boundless energy to what will likely be very delayed gratification, will not receive encouragement in these pages.

If owning your own business has

been your life-long dream, Davidson will wake you up to the grim reality.

"Poll some would-be entrepreneurs and you will find that they expect that starting a venture will free them from the reports, forms, time sheets and red tape encountered in the corporate world," he says. "Really, this is reason to laugh."

Not that waking up is necessarily a bad thing. A major part of Davidson's point is that too many promising people dream their way straight into bankruptcy.

After a brutal look at the common reasons why businesses typically fail, Davidson goes on to outline what it takes to make a business succeed. This is no idealistic pep talk, but hard-headed advice backed up by statistics and experience. His description of a business plan alone is enough to make the faint-hearted quietly close the book and steal back to the nearest 9-to-5 desk job.

Davidson's message also has another benefit for agents. Many of your clients and prospects are going to be business people at some stage of the process Davidson describes. If you've never been through it yourself, this is a good glimpse into what they're up against. The more you can empathize, and the more knowledgeable you can be in your empathy, the more receptive they are likely to be.

—S.F. Sullivan

*Avoiding the*  
**Pitfalls**  
*of Starting Your Own*  
**BUSINESS**

**Jeffrey P. Davidson,**  
C.M.C., M.B.A.

# AVOIDING THE PITFALLS OF STARTING YOUR OWN BUSINESS

**Jeffrey P. Davidson, C.M.C., M.B.A.**

In a daring and forthright fashion, Jeffrey P. Davidson has cut through the clutter of "how-to" books on starting your own business and written a definitive work which contains what every entrepreneur *must* know in order to be successful. For those contemplating the start of a new venture, or those who seek to heighten their business skills in today's competitive marketplace, this book is an indispensable reference.

Throughout its pages, Davidson confronts the potential problems "head-on" from his extensive catalog of case experiences as one of the nation's foremost management consultants. This book is an eye-opening compendium of invaluable insights on success in business for those who dare to dream of making it on their own.

**Jeffrey P. Davidson, C.M.C., M.B.A.**, is the accomplished author of seven previous books on a variety of business and management topics and numerous articles in the nation's leading business publications. He has been named "Media Advocate of the Year" by the Small Business Administration for the years 1983-87. He currently resides in Falls Church, Virginia.

February/6 x 9/glossary/bibliography  
\$19.95/1012-3/W