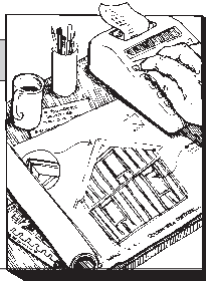


How to Fail in Business

by Jon Hardie



Here are a few basic guidelines on how not to start a business. If your intention is to generate a massive tax write-off, however, you may find a few helpful pointers. Or if you want to be written up as one of the most successful nonprofit organizations in your area, read on. After all, it's only money.

- When starting a business, forget that it will take twice as much money and twice as long as you originally planned, and that you will earn half as much as you banked on. If you stick with your original estimates (the ones you doodled on the placemat at the restaurant), you're on the right track.

- Plan on everything going smoothly—there will be no unexpected delays, interruptions or changes, and everyone will pay on time. Stubbornly stick to your original estimates regardless of reality and without fear of making a mistake or losing money.

- If you decide to go into to business for yourself and you have a good-paying job now, drop everything and go for it. You will have more than enough savings to carry you through the start-up costs of the first year. If you run short, your wife can take a second job or you can use your house as collateral on a loan. You also can take out a second mortgage on the equity you have accumulated and use the cash for day-to-day operations. After all, what good are assets if they aren't working for you?

- Be sure to sign personally for your loan and not as an officer of the company; that way they can come after you in your next job.

- When the bills are due, remember that the loan payment comes last. The bank will wait. And be sure not to tell the bank officers how your business is doing, because they will only get upset. If the collection agencies get pushy, get an unlisted number. That way you can avoid those embarrassing calls over dinner. Customers can get your number by word of mouth.

- If you want to keep everything quiet and you are late on your payments, start doing your banking business at another bank. That way you can write checks from one bank to the other...it's called generating cash flow.

- Forget about filing all those sales-tax reports. Nobody reads them anyway. And they would *never* come after a small guy like you. Think of it as your own private campaign to reduce the cost of government. You earn it, you keep it.

- Promise your customers that you can always do the job for less than the next guy. Figure that his costs have got to be higher than yours and there has to be fat in there somewhere. Don't bother to work up an estimate; it only complicates things.

- Trust your intuition about how the job is going, and don't bother to keep track of your expenses. If you run short, take on a new job with a big deposit and go back to the first job later. The customer will understand; after all, who else would work for nothing to finish the addition?

- Don't bother with written estimates or contracts, and never ask for a deposit. Every customer will pay you in full for what you do, including the changes and lost time while you replaced the wiring in the wall that you cut when putting in the new bathroom.

- Don't keep track of what people owe you. After a while you will begin to look at those uncollected funds as money in the bank. Figure that there must be a good reason why they haven't paid you (it certainly could have nothing to do with the quality of your work!) and that you'll get your money when they get around to it.

- Promise three customers you will be there on Monday and then show up at the one paying you the biggest deposit. You can always slip away from the kitchen or bathroom remodeling job to work on the den. Customers are good that way.

- Forget about building permits and zoning regulations. If the customer wants it, build it! Let the customer worry about the details—like what to do if the building inspector rejects the garage because it's less than six feet from the line on the side of the house.

- Buy the best furniture and a new truck to go with your new office. It's important to make a good impression. After

If you're late on your payments, start banking at another bank. That way you can write checks from one bank to another . . . it's called generating cash flow.

all, the kids can get another six months out of those sneakers, and summer is just around the corner.

- Don't buy your supplies in one place. Spread your business around so you won't generate the volume to qualify for a hefty discount. Keep telling yourself that you can get better prices shopping around, and that the trucking expense is just part of doing business.

- Buy all the expensive equipment right away. Don't wait until you need it for the job. At such a good price, how can you afford to be without them?

- Develop a good list of excuses why the check isn't in the mail. The bookkeeper at the supply house is always looking for a good laugh. If you are up to your credit limit, get angry and don't pay them. Go somewhere else. There are a dozen supply houses where you can get credit before you have to go back to the first one with a check.

- Don't bother to advertise. It's a waste of money. Just sit there and wait for customers to beat a path to your door. If they don't come right away, cut your prices. Remember that tomorrow you can make up for the money you don't earn today.

- When the time comes to do your taxes, do them yourself. Accountants only cost money. Besides, the 10-percent investment-tax credit and the accumulated depreciation won't amount to much on your shop, truck and equipment. And be sure not to keep any of your expense receipts or deduct the part of your house you use as an office.

- Be sure to do all your business and personal banking transactions out of the same account. That way the tax man will

be so confused you can avoid being audited.

- Business plans are for big business. You can run your whole business on little slips of paper in your shirt pocket. Keep everything in your head without writing anything down.

- Be sure to put all your workers on salary right away. Never hire outside contractors. That way you can control them better. Pay the minimum so your workers won't stay around long enough to earn the year-end bonus you've promised to give them after you have a few jobs under your belt.

- Don't bother with withholding taxes. They're just a nuisance, and besides, your workers won't be paying taxes anyway at their tax level. Think of it as saving the government all that work right from the start. Use the money to fund day-to-day expenses. Don't worry about the government coming after you here, either—it's too busy with real criminals.

- There's no need to learn the names of your employees' wives or children or to ask about how things are going for them. Stay aloof and disinterested. Productivity goes down when you fraternize with the troops. And bark out orders—never ask for advice. Your workers may not tell you about problems on the job, but they will respect you.

- Since you are the only one who really knows what's going on, be sure to take every opportunity to criticize your employees and subcontractors for foul-ups. And be sure to do it openly when everyone is watching; it sets a good example and lets them know who's boss. If they mess up, deduct it from their pay so it won't happen again.

- Remember that if you mess up and don't get paid, it's your workers' fault. To cover yourself, write rubber checks to handle payroll and supplies (especially if your employees and suppliers are out of state; it takes that much longer for the check to clear).

- Don't take a salary. You can accumulate the profits from your business and pay yourself a big bonus at the end of the year. And don't keep track of your hours; it just takes time away from work. At the prices you are charging, you will be so busy you won't have to worry about keeping track. There will always be more month left over at the end of the money.

- Keep bankers' hours; after all, you're the boss. Stop in for five minutes in the middle of the morning, and then you can take time for yourself. The crew will continue to work uninterrupted. Don't tell anyone where you are going or when you will be back. Check in at the end of the day to make sure your crew hasn't messed up. You can keep three or four jobs going this way without any problems.

- Hire good people and pay them peanuts. Let them prove themselves while you pocket the profits. After a couple years, offer them a 5-percent raise as a token of your appreciation. They will love you for it. Remember that vacations, health insurance and workers' compensation eat up profits.

- Be sure to lay off employees rather than keep them around when you don't have work for a week or two. Tell them you will pay them later. They can work for you under the table and file for unemployment while you get back on your feet. And they can pick up some extra income moonlighting on the jobs you haven't finished.

- Most importantly, don't take any advice. Tough it out alone. Don't talk to your banker, accountant, suppliers or other contractors about how they are doing and how they solve their problems. That way you don't have to thank anyone when you succeed. ■

Copyright 1986 by the Dequid Group

Jon Hardie is president of the Dequid Group, a management and small-business consulting firm.