

BRINGING IT ALL TOGETHER

READY, SET, GO!



What's This Session All About?

This session is about moving forward.

A big part of moving forward is learning to negotiate, so that you can reach agreements, make deals, and make progress.

Another part of moving forward is learning to avoid the common barriers and pitfalls your new business will face.

Last, moving forward means bringing all the hard work you've put into this class

to a conclusion, by creating your business plan.

In this session, we'll look at the following topics:

Making the deal. Good negotiators understand themselves and what they want out of the deal, but they also try to find where their interests and those of their counterparts overlap. They take the other side's interests, needs, and views

into account, and use their negotiation skills to resolve conflict and create win-win solutions.

Overcoming barriers and pitfalls. What challenges will you face as a small-business owner? Where can you find answers to your questions? In this section, we'll tell you what to expect, and suggest ways of overcoming common obstacles.

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Success is to be measured not so much by the position one has reached in life, as by the obstacles one has overcome.

—Booker T. Washington

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Bringing it all together. The end of this session brings all of your lessons into perspective, and prepares you for the next step in your journey towards running a successful small business.

Making the Deal

Negotiation is the process of resolving conflicts and creating win-win solutions. You may not realize it, but you negotiate every day. When you debate which movie to go to with friends, or discuss whose turn it is to take the garbage out, or offer your child a reward for getting better grades, you are negotiating.

Like any other skill, negotiation can be learned and practiced. Understanding what good negotiators do, and why they do it, will help you achieve great results!

Many people see negotiation as a conflict that the more aggressive negotiator always wins. In reality,

the best negotiators are cooperative and flexible. They know that their own interests depend on creating a win-win outcome that leads to a stable working relationship. Negotiation can produce solutions that neither side could have achieved independently. In fact, negotiation can be open, friendly, and even fun!

Hard and Soft Negotiators

Different people take different approaches to negotiating. Some favor a “hard” approach, while others prefer a “soft” approach.

Let’s take a closer look at what these terms mean.

- **Hard negotiators** pursue their own narrow goals aggressively, and have little or no concern for the interests of the other side. They’re more interested in “winning” than in having a good business relationship. They often resort to threats or bluffing to get what they want.

Negotiating Styles and Behaviors		
Hard	Win-Win	Soft
• Tries to negotiate on home turf	• Tries to negotiate on neutral turf	• Negotiates on other side's turf
• Focuses debate on own issues	• Focuses on other party's issues as well as on own	• Focuses on other party's issues
• Ignores other party's demands	• Listens to other party's demands	• Concedes to other party's demands
• Requires other party to make first offers	• Interchanges offers and demands with other party	• Presents recent offers or demands on other party's terms
• Returns with very high demands, low offers	• Returns with moderate demands and offers	• Returns with low demands and high offers
• Exaggerates own position, ignores other side's	• Shares reasons for interest in specific items, seeks same from other party	• Concedes to other party's priorities
• Concedes only on items of low value or interest	• Pursues equal concessions from both sides	• Concedes to other party's demands
• Pushes for large concessions from other party	• Pursues mutually beneficial settlement	• Makes large concessions

- **Soft negotiators** want to avoid conflict at any cost, so they usually don't stand up for their own best interests. The danger of being a soft negotiator is that you may not be able to protect your interests. Also, if hard negotiators see you as someone who can be bullied, they may become even more aggressive!
- **Win-win negotiators** combine the best of both approaches, by being hard on the problems and soft on the participants. Like kids in a three-legged race, win-win negotiators work together to reach a shared goal. They approach problems cooperatively, and achieve a win-win outcome through open, honest communication. In short, they attack problems, rather than each other!

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A lot of people, if you asked why they started a business, would probably say "I had this great idea," or "I knew I had something special to offer." That wasn't how it was with me at all. When I decided to start a business, I had no ideas, and I didn't think I had much to offer anyone!

For me, the biggest motivation was that I'd made just about every mistake you could make in life, and I was ready to turn things around and make a change for the better. Plus, I was still living at home, and even though Mom never said anything, I knew that put a burden on her.

I didn't want to be a burden. I wanted to earn enough to get my own place, and start helping her out. I wanted to feel different about myself. And have other people feel different about me, too.

Mark Stuebner lived in Seward, Nebraska. He was twenty-six and needed work, but he didn't really know what to do or where to look. He had some skills—basic auto repair, and things like that—but nothing he could see earning him a living.

He needed to talk to someone, so he looked up his high-school counselor, Tom Muentzer.

Mark had been a little wild back in high school. He drank too much, and got in some trouble with the law. He'd ended up dropping out, in fact. But he remembered liking Tom, who had a knack of making him feel hopeful about his future at a time when everyone else was telling him he'd wind up in jail.

Tom had a positive outlook about me. He always said I was a smart kid, which I liked hearing. But he was also kind of pushy and demanding. Always telling me to plan for this and work for that. I didn't want to hear that stuff in those days.

But since then, I'd grown up a little. And thanks to AA, I wasn't drinking anymore. So I had a real different take on it. This time, I was ready to listen and learn.

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The Role of Power

We feel that win-win negotiation is the best approach to making deals. But some negotiators would rather achieve their goals through a show of power. This can work for a while, but in the long run threats and bullying don't usually lead to the best outcome. Deals made under pressure last only while one party feels weaker. When the weaker party gets the opportunity to back out, the deal falls apart.

Power principles

There are many kinds of power. Authority gives you one kind of power, and self-respect gives you another. You can be powerful by having more money, or by having more character. You can win negotiations by bullying, or by being honest and fair.

Hard negotiation can be intimidating. But in many cases, it's a sign of weakness. Think about it: if you have something good to offer people, you usually don't need to be a bully to win their cooperation! And besides, how much power do you really have when you can't hold on to what you've won?

Stages of Negotiation

1. Setting an agenda
2. Voicing demands and offers
3. Working to minimize differences
4. Closing the deal
5. Signing a written agreement

Here are some basic principles of power:

- Power is always relative and limited, never absolute
- Using power is always risky
- Power can change hands suddenly
- Power can be real or imaginary
- Power can be exercised without acting
- Power is often only as strong as you think it is
- Power exercised out of fear, greed, or anger is weakness

No matter how weak you think your position is, you probably have many other forms of power, including:

- The power to negotiate fairly and wisely
- The power to build or reject a relationship
- The power to choose whether to sign the deal
- The power to point out the consequences of a failed agreement
- The power not to get angry when provoked
- The power of your partnership with others
- The power to lead a way out of the conflict
- The power of your personal integrity

The power of hope

What each side hopes to achieve by negotiating, and how confident each side is of reaching a good outcome, has a huge impact on how things turn out. Experts agree that:

- People with high hopes achieve better outcomes
- Skilled negotiators with high hopes earn better outcomes no matter how much power they possess

- People with high hopes manage negotiations better than people with lower hopes
- People with lower hopes make more unnecessary concessions

How Deals Are Made

Negotiation often requires time and patience. It can be a long journey from your initial negotiations to the signature that closes the deal!

To negotiate successfully, you must understand that with each step you take, you're either moving one step closer to an agreement, or one step farther away.

No matter who you are or what approach you take, the negotiation process generally contains the same phases. These include setting an agenda, voicing demands and offers, working to minimize differences, and closing the deal. Ideally, each of these stages builds upon the gains made in the previous stages, allowing the two sides to move closer to a fair outcome.

Identify your interests

Before negotiating, you must identify your interests. When you have clear goals, you project a confident, professional image that gives your counterpart a reason to take you seriously.

Your interests can be very different from your position. Your position is what you say you want (more money, a faster turnaround time, a larger order size). Your interests are the things that motivate you to take your position (your needs, concerns, hopes).

It's important to understand the difference! Otherwise, you may spend a great deal of time arguing over positions, only to end up with an agreement that doesn't satisfy your interests.

List your interests in order of their importance, and determine how much each is worth in relation to the others.

Next, consider all the options that would satisfy your interests. How many ways can your interests be met? What are you willing to do to get what you want?

You should also explore those terms of the deal that would satisfy your counterpart's interests. You'll improve your position if you can think of options your counterpart hasn't.

Try to present possible approaches to reaching an agreement. Asking "Why not..." and "What if..." questions can reveal your counterpart's concerns. For example, you might ask a supplier, "Why not deliver our orders by the 15th of each month?" If the supplier answers, "Because we're at capacity for truck delivery mid-month, and it'd cost too much to increase capacity just for you," then you've identified that one of the supplier's major concerns is cost. This gives you a concrete issue to address.

Identify your BATNA

Next, identify your **Best Alternative to a Negotiated Agreement (BATNA)**. If negotiations don't work out, what are your options? What other opportunities do you have? Do you have other offers? It's essential to know exactly what's at stake!

If you can, it's also a good idea to identify the BATNA of the other party.

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Tom was happy to talk to me and help me. The first thing he said I should do was to take a good hard look at Seward. He put me on the school's computer and I got started researching the basics about the area. I looked at the population, the work people did, the social programs, and things like that.

I found out that most jobs in Seward were retail trade or construction. That narrowed things down a lot. I really didn't feel like I was cut out for retail. So I decided to check out the market for construction.

Mark knew a few people who were in construction. Some were independent contractors and some worked for wages, but a lot of guys he remembered were jacks-of-all-trades.

One of the first people he talked to was a friend from grade school named Nick Storch, who was working right then on a rehabilitation project. He mentioned to Mark that the asphalt parking lot needed cleaning. The construction crew didn't have time to do that kind of work. Nick knew someone in Omaha who did site clean-up for a living, but there was no one doing it in Seward.

Nick said the big problem all these folks had in common was that nobody wanted to take on the clean-up work. There was a steady need for it, though. Nebraska weather being what it is, construction and farm equipment needed cleaning in spring and fall. And at malls and such, all the shopping carts, outside equipment, and even the big garbage bins needed cleaning a couple of times a year.

That sounded promising to Mark. All he'd need was a truck, some pressure washing equipment, and an ability to negotiate contracts with construction companies, strip-mall owners, big-box stores, grocery stores, and so on.

He ran the idea past Tom, who told him to do his market research, find out who his customers would be, figure out his pricing, and prepare a good sales pitch.

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Identify your settlement range

You probably know what you want out of a deal, but you also need to think about what you *don't* want! What's the least you need to achieve in order to feel good about the deal? What is the point below which you can't go?

Once you've set this bottom line, you've created a **settlement range**. At the top of the range is the best-case scenario, where you get everything you

Traits of Effective Negotiators

- Has the ability to separate fact from fiction
- Has the ability to recognize and to acknowledge different perceptions
- Is a truly gifted listener
- Communicates interests and ideas clearly
- Maintains a broad perspective
- Understands the relationships involved
- Shows respect for his or her counterpart

want. At the bottom is the worst-case scenario, where you walk away with the bare necessities.

By “bare necessities,” we don’t mean that you got to keep your gold fillings and two pairs of pants; we mean the minimum you need in order to feel that the deal, though not perfect, is acceptable.

You shouldn’t insist on your best-case scenario at all costs, but you shouldn’t make unnecessary concessions, either. If you end up right in the middle of your settlement range after a tough negotiation, consider it a solid win!

Overcoming obstacles

You’re sitting face-to-face with a customer or partner, and things just aren’t working out. Maybe you’re unable to communicate with one another, or maybe you feel intimidated by the other party. Either way, something’s stopping you from reaching an agreement. What should you do?

First of all, don’t give up! The following strategies can help you make it through the obstacle course:

Recognize bad behavior

If the other person resorts to an unfair tactic, your best weapon is to recognize it and name it! Naming such tactics as soon as you see them can improve your sense of control and confidence.

Here are some tactics to watch out for:

- **Stonewalling.** The negotiator refuses to budge from his or her position, rejects your proposals, and won’t listen to your arguments.
- **Bullying.** The negotiator attempts to brow-beat or threaten you into the deal.
- **Deception.** The negotiator tries to trick you into the deal, taking advantage of your good faith by providing misleading or false figures.

Open your ears!

If you really listen to what the other person is saying, you might find that an obvious solution has been right in front of you all along. Being a careful listener is the best advantage you can have! Revisit the listening tips from Session 1.

Get in the other person’s shoes

Instead of fighting your counterpart’s tactics, try stepping into his or her shoes. Try to understand and appreciate his or her point of view.

You don’t have to *agree* with that point of view, of course. Your goal is simply to understand it, and see if you can find some common ground. You may find that you have the same time pressures or expenses, or even the same dislike for negotiating! Whatever it is, recognize it and use it as a foundation for understanding.

Lighten up and laugh!

Why get stressed out by negotiating? After all, there’s a positive side to it, or you wouldn’t be doing it. The way you approach negotiations can have a big effect on the results, so why not have a positive, easygoing outlook? Take the opportunity to lighten up the discussion when possible. This can build trust and create a more pleasant environment.

Fall back and regroup

When negotiations get tense, people often retreat to their positions instead of focusing on their interests. They simply react, without thinking or listening to the other side. Many negotiations fall apart at this stage.

You have the power to break this deadlock. Step back and look at the negotiation as an outside observer would. Having cleared your head, you’ll be ready to engage more effectively than ever.

You have as much right to set the pace of negotiations as your counterpart does. Exercise this right whenever you feel the need to. Calm yourself,

Negotiating Tips

- Identify your settlement range
- Identify your BATNA
- Know the difference between positions and interests
- Know when to walk away from a bad deal
- Never make an important decision on the spot

reflect, and decompress. This will give your counterpart a chance to do the same.

One way to buy yourself some time is to say nothing. Silence is one of the most powerful tools a negotiator has; it gives the other person nothing to argue with, and may throw off his or her momentum. This consolidates your power, and forces the other side to adapt to your pace.

Another good way to slow down the process is to review the progress you've made up to that point. Taking notes is helpful, too. It gives you an excuse to pause and reflect, while showing that you take the process seriously.

Get off the hot seat

No matter what the other person says, never make an important decision on the spot. Good negotiators always fall back, regroup, and go to a safe location to make their decisions. In this context, "safe" means a place where you're under no pressure to settle the deal.

If pressured, try responding, "You've obviously put a lot of time into this, and I'd like to do the same before I answer." Or, "I always get a good night's sleep before I sign a contract."

Even if you only have a few minutes to make a decision, you should still allow yourself some space and time to review your option. A decision made under pressure may be one you regret later.

Walking Away from the Table

No matter how committed you are to making a deal, there may come a point where your best course of action is to walk away from the negotiations. Knowing your "walk-away point" in advance strengthens your position.

Different people reach this point at different stages in the process. How do you decide when to walk away? One thing you can do is consider the costs—in terms of time, money, relationships,

personal integrity, and emotions—of walking away versus continuing to negotiate. As a general rule, it's time to think seriously about walking away from negotiations when:

- Your counterpart's ethics clash with your own
- You're being forced to accept a deadline you can't meet
- Your counterpart is greedy and won't compromise on anything
- You believe your counterpart is unwilling or unable to follow through on his or her part of the deal
- You can achieve better results elsewhere
- You distrust or dislike your counterpart to the point that you feel you can't work with him or her
- You have clear evidence that your counterpart is dishonest
- Economic conditions lower the value of the deal to your business

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The first thing I needed to do was confirm what Nick said, and make sure no one else was doing that kind of clean-up work for my target customers. I looked through the yellow pages, and checked online. I even called a few companies and asked if they offered that service, or knew anyone who did.

I found out Nick was right: no one was doing it. The field was wide open. All I needed was a pressure-cleaning rig on the back of my truck, and I'd be the only game in town.

I didn't think negotiating the clean-up contracts would take a lot of work. For one thing, I had some connections. I knew a bunch of people in construction, and a couple of people at the grocery stores. I was sure I could get a foot in the door without too much trouble.



Mark went to see George Blaurock, a fellow AA member who'd inherited family money, and borrowed \$5,000. After some negotiations, Mark signed a note for the loan, stating that in three months' time, he'd start making monthly payments of \$200. George generously set the yearly interest rate at 6%, and Mark agreed to pay more whenever he could.

The loan covered the parts and repairs that Mark's truck needed. Luckily, Mark was able to do a lot of the work himself, which saved him a few hundred dollars. With the rest of the money, he bought a pickup-mountable pressure washer with a 150-gallon tank. On Tom's advice, he got a diesel model, so that he could run it on biodiesel and cut down on his overhead.



The next step was to drum up some business. He visited every construction project, every grocery store, and every strip mall and big-box store in town. He even went to the hospital and the country club. Most of them told him he'd need to call first, and set up an appointment to discuss contract terms.

Tom said I was overexcited, and I guess he was right. He explained that before I tried to approach these businesses, I needed to find out who had authority to hire me, and set up an appointment with that person. I also needed to prepare by educating myself about each business. A hospital or a country club is a lot different from a strip mall, he said. For instance, the hospital might want to know how loud my washer was. They weren't as likely to care about noise at a mall, especially if I were working after hours. I needed to think about things like that before trying to negotiate a contract.

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Your Negotiating Partners

In the course of running your business, you're very likely to negotiate with each of the following types of people. The information presented here will help you to be confident, professional, and prepared.

Lawyers

As we learned earlier, most lawyers price their services in one of two ways:

- **On contingency.** The lawyer's payment is based on a percentage of the money you win in a lawsuit.
- **Straight fee.** The lawyer's payment is based on hourly work.

Fees are always negotiable, so get fee information from several lawyers before negotiating.

Bankers

There are many types of banks; some serve consumers and some serve businesses. Your goal is to find a bank that understands your needs.

Bear in mind that unlike many negotiating partners, banks are limited by a number of business factors:

- They must perform balance-sheet tests
- They must avoid long-term debt
- They must charge higher rates for riskier loans
- They must ask for collateral

Venture capitalists and investors

Investors have a leg up on the average small business owner for one simple reason: they negotiate deals all the time! Work with your lawyer when negotiating with prospective investors.

Suppliers

Most negotiations with suppliers relate to a specific transaction, and involve price, quality, delivery time, and units. When you're just starting out, you may have a hard time negotiating favorable terms with suppliers.

Customers and buyers

Customers are the final consumers of your product, while buyers purchase goods to alter and/or resell. Negotiations with customers should be guided by your interest in a long-term relationship. If you're in a service business, you'll probably be negotiating contracts that include price, delivery time, and project terms.

Negotiations with buyers are the same as those with suppliers. Major issues include payment terms, late payment options, and contract changes.

Employees

In negotiations with employees, the major issues are compensation, benefits, duties, and the good relationship you hope to maintain between you and your employee. For this reason, it's best to know as much as possible about the person's interests, goals, and ambitions before negotiating.

When cash is tight and your employees want raises, it's important to understand that the request for a raise is sometimes a response to stress or unhappiness. Perhaps your employee doesn't need more money so much as a more flexible schedule, more vacation time, more recognition, more cooperation from co-workers, or even just a longer lunch break! You may have to ask a number of polite, probing questions in order to find out exactly what's on the employee's mind, so that you can work together on a win-win solution.

Contractors

Your relationship with contractors will probably focus on cost, parameters, and deadlines. As with

other negotiating counterparts, you should have as much information as possible before negotiating.

Landlords

At some point, you'll probably have to negotiate a lease with a landlord. Usually, landlords want to earn as much money per square foot as possible. Rent generally covers a fixed period of time, and often includes several add-ons (e.g., ground fees, maintenance, and cleaning). All these fees are negotiable.

Overcoming Barriers and Pitfalls

Today, there are more opportunities than ever for start-up businesses. Unfortunately, there are also many hazards, and many confusing issues to deal with. During this initial planning stage, it's important that you think about these challenging aspects of your new venture.

To that end, we'll briefly discuss some of the most common barriers and pitfalls you face. In doing so, our purpose is not to dampen your enthusiasm, but to help you anticipate and overcome these obstacles to your success.

Prepare Yourself for Change

Today's fast-paced business environment presents many challenges to start-up entrepreneurs. Change is constant, so you should expect to be in a continuous cycle of learning, asking questions, and finding innovative ways to solve problems.

Obviously, you can't learn to do everything at once. That's why you must recognize your own abilities, and use good judgment in choosing other people to fill the gaps in your knowledge and experience. Resist the temptation to move beyond your core strengths; instead, delegate responsibility, and learn to rely on advisors and mentors. Above all, remember that you don't need to have all the

answers, but you must be willing to ask the right questions!

Cash and Credit Issues

Cash flow problems

Cash flow problems can occur when you underestimate your start-up costs and overestimate your cash flow. A sample cash flow projection can help to monitor your current cash position, and project your future cash needs.

Solutions

- Keep your cash flow projections up to date. Revise your projections monthly, comparing estimated to actual cash flow.
- Have a back-up plan ready in case projections fall short. Build rapport with your banker well in advance of anticipated needs, and keep him or her informed of your progress and potential challenges.
- Keep an eye on your overhead. If you have a period of declining sales, it may be difficult to reduce overhead quickly.
- Look at all the possibilities, not just the good ones! You've prepared a sample cash flow projection based on what you thought were realistic expectations. Now, project a worst-case scenario, and ask tough questions like: What if the sales don't happen? What if collections are twice as slow as anticipated? What if my material costs are double what I expected? This will help you prepare a back-up plan.

Credit issues

A start-up with no credit history is limited in its ability to establish open lines of credit with suppliers or service providers. The result? Additional strain on your cash flow.

Solutions

- Recognize that you may have to start out on a COD (cash on delivery) basis with suppliers, and plan appropriately in your cash flow projections. Establish a positive payment history from the start by agreeing to COD terms, or by asking for small open lines of credit with short payment terms. Pay promptly to build a positive credit history.
- Keep in contact with your suppliers. Let them know via newsletter, memo, or phone call how your new business is doing. This will go a long way towards establishing a credit line.

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I took Tom's advice, and started thinking about the different needs of the companies I was targeting. I also started thinking about how much it would cost to do the work. I didn't know much about business, but I knew I couldn't charge by the job. If I charged the same price for a mall's parking lot and a bank's parking lot, I'd either be overcharging the bank or losing money on the mall!

Tom helped me go over how much it would actually cost me to run the washer and the truck. We factored in my living expenses and the loan payments, too. From there, we came up with an hourly rate that made sense to me. I called up some pressure washers in Omaha just to see what they were charging. My prices were a little less, which seemed about right because Seward was a smaller town.

By the time we figured all this stuff out, I was sure I had a fair price. And I was sure everyone I talked to would agree. I mean, why wouldn't they?

Mark had two appointments the following week, and both of them turned out to be disasters! The first customer he talked to was a big grocery store in the center of town. The owner said he'd consider hiring Mark, but only if he lowered his hourly prices. On top of that, he wanted the job done in one hour flat. Mark ex-

plained that he'd be losing money. The owner shrugged. "Maybe you're in the wrong line of work," he said.

The next customer was a man named Heinz, who owned two strip malls out on I-280. He was even more unreasonable. He demanded that the washing job include all the store facades and awnings, and he offered a set fee with no room for negotiations. Mark controlled his temper—barely—and walked out of the office without a contract.

I told Tom what'd happened, and he wasn't surprised. "Everything comes down to negotiation," he said.

I wasn't happy to hear that, because I just didn't feel confident about myself, or my skills. I'd just had these guys dictating to me how much work I'd do and how much I'd get paid, and I felt like I didn't have a leg to stand on. They were giving me an impossible choice: Work for less than I need to earn, or don't work at all.

Tom told me I'd have to learn to negotiate, and that I needed more help than he could give me. So he sent me over to Lincoln, to a two-day negotiation class for small-business owners.

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Growth Issues

Moving too fast

It's good to be enthusiastic about your new business. But being in a hurry can result in poor decision-making, and this often causes problems in the long run. Planning ahead helps you to act more quickly, and to solve problems before they become serious.

A common trap for start-up entrepreneurs is the desire to be an instant success. Such tactics as cutting your price before market acceptance for your product takes hold, changing products mid-stream, or deciding to do everything yourself, are

examples of bad decisions caused by being in too much of a hurry.

Solutions

- Slow down long enough to think about the long-term consequences of your decisions. Review decisions before you act on them, particularly in the early stages of your business.
- Avoid making rash financial decisions. Entrepreneurs regularly make the mistake of putting their life savings into a project in order to avoid going through the bank lending process or some other time-consuming process. More money will not cure all the problems you face!

Growing too fast

A common problem among start-ups is that there may be a greater demand for the product than they anticipated. While this might seem like a problem you'd love to have, growing too fast can destroy a business that lacks access to growth capital.

Solutions

- Take time to anticipate ramp-up costs if yours is a "rapid growth" business. If you have limited personal finances, create a cash flow model that determines how much additional funding you'll need to keep pace with demand. You might not be able to foresee all the expenses of start-up financing, but a reasonable estimate will help you determine your needs during this high-growth stage.
- Look for the next level of financing early. Bank negotiations for second-level funding can be slow, especially when there's a short length of time between the first round of funding and a request for expansion funding.



Tips for Fast-Growing Businesses

- Maintain a diversified base of customers.
- Review the activities of your employees and independent contractors.
- Always evaluate customers' ability to pay.
- Make sure that your insurance coverage grows along with your business.
- Plan leadership and employee succession.
- Stay on top of cash management and financing needs.
- Have contingency plans for drop in market demand, and economic downturns.
- Stay on top of taxes, labor laws, and other governmental regulations.
- Maintain a healthy balance between work and family life.

Avoiding innovation

Growing businesses sometimes get into a rut. They settle into comfortable patterns of behavior, missing out on opportunities to stay innovative and competitive. Soon, growth slows and fizzles, leaving the business owner wondering what happened.

Solutions

- Never stop learning! Stay abreast of new practices and technology by attending industry trade shows and Chamber of Commerce functions, and reading trade journals.
- Encourage innovative thinking. Always ask yourself and your team, "Can we do this better?" and "Are we being as creative and efficient as possible?" Don't take any materials or processes for granted...there's always room for improvement!
- Understand your customers. Has the market for your products or services changed? Are customers' needs and preferences changing? Have their habits changed?

Ignoring employee management issues

As a business grows, its character inevitably changes. The solo entrepreneur transforms into a team of people that may include full or part-time employees, independent contractors, suppliers, advisors, and assistants. In the process, small businesses often focus on sales and meeting orders at the expense of the people who make those sales possible: employees. This results in poor communication, loss of efficiency, and low morale.

Solutions

- Allocate responsibility by creating and updating an organizational chart for your business, including written job descriptions. Who reports to whom? For which tasks is each per-

son responsible? What deadlines apply? How frequently will you evaluate performance?

- Reassess and update employee compensation and incentive plans as needed.
- Set clear objectives for each person's performance. Update these objectives frequently with a formal performance evaluation system.
- Treat your employees as you would like to be treated.

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The class made a lot of sense to me. They talked about the steps of negotiating, and the different styles people brought to the table. It was easy to relate the things they said to what had happened to me in Seward.

One thing I realized was that my position basically boiled down to the fact that I needed to make a certain amount of money per hour. That meant the negotiations just went around and around: I wanted this amount, and they wanted to pay that amount. We were just butting heads on positions, and not finding any common ground.

If I could, I needed to get them to put aside their position on price and time, and look at what was in their best interests. When they tried to dictate my hours or my price, I'd remind them that pressure cleaning would benefit their business and their image in the town.

I also learned the difference between hard and soft negotiators. I found that I'd been leaning towards the soft side, mostly because I wasn't confident enough. Both the people I'd dealt with in Seward were hard negotiators.

After two days of training, Mark had a good grasp of what he'd been doing wrong. He knew that in the future, he'd have to be confident enough to defend his interests, but also flexible enough to compromise on his positions.

Instead of explaining why he needed the money, he'd explain why the client needed his services. Instead of complaining that an hour's work wouldn't cover his expenses, he'd explain that an hour's work wouldn't get the job done right, which would reflect badly on Mark and his client. Instead of saying that he couldn't afford to wash facades and awnings, he'd focus on the fact that the awnings and facades *needed* washing, and discuss what it would mean to the client's business if they stayed dirty.

On the bus heading back to Seward, Mark felt that he'd reached a turning point. He was ready to have another meeting with the people whose offices he'd left. And this time, he was going to make them see that hiring him at his price would be a win-win situation.

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Conflicts Between Personal and Business Life

While poor cash flow causes most small business failures, personal relationship issues rank a close second. Your investment of time, energy, and financial resources requires family support. Perfect alignment of personal and business worlds is difficult to achieve, particularly in the start-up or growth phase.

Solutions

- Involve your family members in critical decisions, and remember to have fun and relax
- Keep the lines of communication open with employees and family members

Government Regulations

In the everyday shuffle of managing a business, start-up entrepreneurs often overlook small but essential details. Government regulations are a good example of an easily neglected responsibility, lack of attention to which can shut your business down.

Solutions

- Put an employee in charge of compliance with Occupational Safety and Health Administration, Environmental Protection Agency, Internal Revenue Service, and other regulations. What documents must be prepared? What expert assistance do you need? Are there new ways you can minimize your business's tax burden? Is your business complying with the latest product labeling and safety regulations?
- Create a schedule for all filing, inspection, and reporting dates. You should also create clear, well-organized files containing all relevant materials.

Bringing It All Together

In these 15 sessions, we've been preparing you to start your own business. You've waded through a lot of information, and done a lot of work, to get closer to that goal. Now that we're at the end of the class, how do you bring it all together so that you can take your idea to the next level?



Celebrate What You've Accomplished!

Had you not taken this course, you'd be miles behind where you are today. You might not have your business plan completed yet, but you *do* have a lot of it sketched out. You may not have all the answers, but you have a lot more than you did a few short weeks ago!

Organize What You've Learned!

You've gathered a lot of facts, spoken to a lot of people, and developed a rough business plan. Are you missing anything? You won't know until you take the time to sort through your materials and organize them. Use file boxes, ring binders, notecard files, or whatever will help you stay organized.

Fill in the Blanks!

When you know what you have, you'll also know what you *don't* have. Now is the time to collect the remaining details you'll need to make your business plan really strong.

Finish Your Business Plan!

Put your business plan together as best you can. Ask your mentor, an advisor, or a family member to review it and offer honest feedback. Then, make the appropriate changes. Don't be offended if they have a lot of questions or criticisms—it's not personal, it's business!

Remember, the main sections of your business plan include:

- Cover Page
- Table of Contents
- Executive Summary
- Personal Background and Experience
- Business Concept
- Business Organization

- Marketing Plan
- Financial Plan
- Conclusion
- Attachments

Ask for Help!

Did you get stuck on a certain part of your business plan? Are you confused about how to find your customers? Are the financial projections too complicated? Don't feel like you have to do everything alone. Rely on your team of advisors to help you. You can also contact your local economic development agency or Small Business Development Center for help.

A Polished Presentation

Your completed NxLevel® Micro-Entrepreneur Business Plan should be:

- Typed and printed on quality paper
- Absolutely free of spelling and grammatical errors
- Presented in a hard folder or binder
- Clear, to the point, and easy to read

Once you've proofread your plan and cleaned up its formatting, you should pass it along to a trusted friend, relative, or mentor for review. Keep an open mind as to their input.

When you present your NxLevel® Micro-Entrepreneur Business Plan in person, you should:

- Dress cleanly and professionally
- Speak slowly and clearly
- Look directly and confidently at your audience
- Prepare and budget your time in advance
- Present a compelling executive summary in

What Next?

- Celebrate
- Stay organized
- Fill in any gaps
- Finish your business plan
- Ask for help
- Remain positive
- Never stop planning

the first 30 seconds, and use the next two or three minutes to provide details and supporting information

- Finish with a clear conclusion and detail what you want from the listener

Stay Positive!

A sense of humor and a positive attitude will serve you well during the planning and start-up of your business. Don't let the little things frustrate you. Remember to take care of yourself physically and emotionally.

Don't Stop Planning!

It's a great feeling when you complete your first business plan. Pat yourself on the back—you deserve it! But remember, planning doesn't stop here...it's an ongoing process. Planning is a vital everyday task for any successful business.

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I decided to go see the grocery store manager first. But this time I was armed with a plan. I actually went and looked around his lot, and took note of the dirt and trash I saw. That way, I'd be able to talk about what his customers would see when they got out of their cars, and how it would make them feel about the store.

If he told me he wanted the work done in an hour, I'd point out that he'd get a half-finished job. I'd say something like, "If it took an hour to do a good job mopping your floors each night, would you tell your janitor to do it in half an hour?"

Why pay someone to do the job halfway? How does the money you saved matter, if your customers come in and the floor is dirty? It's the same thing with the parking lot. Either pay to get it spotless, or leave it dirty. Paying to get it halfway clean is the worst of both worlds. You're putting your positions ahead of your interests: spending money and getting nothing to show for it.

Tom and I worked on strategies for the other issues that had come up. We looked at where I could afford to compromise, and where I had to stand firm. I went home and practiced my negotiating strategies with Mom, which was actually kind of fun. She came up with arguments that I hadn't thought of, and then we sat down to figure out how I could answer them. Two days later, I signed my first contract, with the same grocery store owner who'd told me I was in the wrong line of work.

Mark knew that negotiating with Mr. Heinz would be a little tougher. He was the competitive type, who always wanted to negotiate on his own turf, and made lots of demands. Mark decided he'd be willing to lower his hourly rate a little if he could get more business in return. With Tom's help, he arrived at a settlement range, and a point below which he wouldn't go. He felt a lot more confident, and he also knew that even if he couldn't make a deal with Mr. Heinz, he'd be able to win business from other people.

During the meeting, he restated what he was offering to do for Mr. Heinz. He explained the benefits each would gain if they were able to strike a deal. Better yet, he pointed out that the fact that Mr. Heinz was willing to hire him at all proved that he understood the work needed to be done. Mr. Heinz looked thoughtful at that point, and Mark knew he'd scored an important goal.

Mark was willing to make some concessions. He offered a discounted price, and told Mr. Heinz he'd be happy to do the facades and awnings. But in return, he wanted to come eight times a year, instead of four. Otherwise, he couldn't guarantee that his lots would continue to look good.

Mr. Heinz thought for a while, and agreed. Mark had his second contract, and was off and running with his new business!

Today, I'm living in my own apartment, and my \$5,000 loan is just about paid off. And I'm helping Mom with her mortgage payments. But what's

more important than the money is that I'm feeling good about myself. One day at a time, things are getting better. I feel like the negotiation skills I learned, and the confidence they brought me, have paid off in every area of my life, and made me a better person.

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Action Steps for Starting Your Business

1. Decide whether you're ready for the risks and rewards of entrepreneurship
2. Determine the viability of your business idea
3. Get experience in your business field
4. Make sure your personal finances are in order
5. Have a group of competent advisors (mentor, attorney, accountant, etc.)
6. Research and segment your market
7. Develop a written business plan
8. Understand the financial needs of your business venture
9. Know who your customers are and how you will attract them
10. Understand the legal and tax side of business
11. Know how to choose a location for your business
12. Assess and strengthen your business skills:
 - organization & management
 - accounting/record keeping
 - marketing/promotion
 - human resources
 - communication



Welcome to the NxLevel® Training Network!

The greatest asset NxLevel® gives its participants is access to other people who have participated in and taught programs. Their combined business and life experience are a golden resource. Make the most of it!

By sharing ideas and supporting one another, entrepreneurs learn from each other's mistakes and explore new ways to achieve their goals. They also enjoy the comfort of knowing that others have experienced similar challenges, risks, and rewards.

You can participate in this network by visiting our Website, and by building on the relationships you formed with fellow participants. Furthermore, local trade associations, chambers of commerce, and Small Business Development Centers sponsor many events for small businesses. Attend them, contribute to them, and benefit from them!

We are happy to welcome you into the NxLevel® network of entrepreneurs, and look forward to your contribution to our success stories and innovative entrepreneurial solutions!

The entrepreneurial vision is a powerful force. It can transform the quality of your life, your family, and your community. When you combine this vision with your expanding knowledge of business, your entrepreneurial journey becomes fun, fulfilling, and profitable!