How Not To Start Your Own Business
or
The Ten Rules of Bitter Experience

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So you think you know enough to start your own business? You think you know enough about your trade and have enough expertise in marketing to peddle your product! You think you have the organizational expertise to form, promote, build your own company, and become your own man!

Read this first!

Rule 1. Be sure to have enough capital to survive temporary setbacks.

Rule 2. Assume that your suppliers might not deliver as promised.

When we started, we knew we were thin financially; indeed, we knew we had to make a couple of sales pretty darn fast in order to survive. So we started in. We picked up a franchise from one of the minicomputer vendors and went about the business of selling computers. At the time of signing, the vendor told us he had accounts payable and an accounts receivable package along with an integrated inventory control function. He also told us the packages were only three weeks from delivery—and for that reason could not be demonstrated. He accepted our money, and we began to promote our "library."

Soon we found a prospect for the accounts receivable/accounts payable package. That was 2 months or so after the franchise was signed. That's when the vendor told us the package would not be available for another 90 days!

Despite our frequent communications with the vendor's factory personnel, somehow this key point had been overlooked. And so the corollary to Rule 2 is a simple one:

Rule 3. Always require a vendor to prove he has the goods.

Before I state Rule 4, let us look at the business relationship from another viewpoint. Was the time ripe for me to get into business for myself? Well, I had the opportunity. I knew something about the computer market. And I was technically competent. All I lacked was a partner.

One condition I had held to assiduously was never to attempt going into business without a partner. The reason was to equalize the work load and to provide a backup when I was out of the office. During the period of setting up the company, while I was finishing up a contract, my partner was doing most of the work. Once I was free, I stepped in and we worked together smoothly. We appeared to think the same and act the same in many different situations. Then we sold our first system.

And thence:

Rule 4. Know your partner.

When we first joined forces, we agreed to share the workload. Further, we each agreed to do certain tasks. For instance, my partner already had a respectable business in which he expended about $600/month for outside computer services. It had been our stated intention that the programming for this service would be rewritten by him or a subcontractor in order to move it over to the machine in our joint office. This step would save the outside vendor fees as well as provide a valuable additional package for us to sell.

I should have smelled a rat when my partner turned down a bid of $5000 to have the programming job done outside. I should have smelled a bigger rat when he said he did not want to work overtime. His commitment to his bowling league could not be forfeited. In addition, he refused to program, even though the machine was on our site and cost us nothing over our fixed cost of rental. In the upshot he wouldn't spend the money to have the package done outside, and he wouldn't do it himself.

We never did get that damn package. In fact, my partner never lifted a finger. Worse, when we sold the existing machine and got a replacement, he:
• never learned how to turn on and bootstrap the machine.
• never learned how to demonstrate competently any of the three packages we had to sell.
• never learned how to program the machine even though he was an accomplished programmer.

Ergo,

Rule 5. When you divvy up the shares in the company, make them a function of time/expertise donated, not of money invested.

I wound up running around with my tongue hanging out, working my tail off, while my "partner" sat back on his. Which leads us to:

Rule 6. All partners should sign a responsibilities and contribution agreement.

This agreement ensures that all partners are aware of the functions to be accomplished. Under this agreement, allegiance to the local bowling group may not be greater than allegiance to the company.

The fact that my partner never did learn how to program the machine also worked out to his distinct advantage. When the going got rough on the installation of our first computer, and a lot of time had to be spent straightening out the package, there was no longer enough time for him to learn its programming. This was "dirty work" he wouldn't have anything to do with, so:

Rule 7. Make sure that you and your partner share equally in the dirty work.

We also made some mistakes in the area of market planning. Whether it was our naivete or not doesn't make much difference. We were too honest and conscientious for our own good. We spent valuable time straightening out the software when we should have been out selling.

Rule 8. Sell your product as soon as possible. Don't wait for all the finishing touches.

Fix your product on the customer's site if necessary. The money will then be available to hire outside help for the site and also to make any modifications the client requires.

Rule 9. Play ball only in your own league.

During our brief existence, we had the opportunity to provide one of our packages to a Fortune 500 company. The package met their needs perfectly, but our vendor was small and relatively unknown. We were even smaller. Even though we spent a fair amount of time and corporate resources, it finally became obvious that the RFQ was designed for larger companies with greater resources. In general, I believe that similar sized companies should do business with each other. Small companies should not delude themselves into believing they are going to get unbiased treatment from larger companies. Big corporations tend to protect their flanks by doing business with their corporate peers. We had visions of huge sales, but the personnel in the larger corporations seemed to prefer an "easy ride" rather than the most cost-effective systems.

Then, there were those clients who could choose either our machines or those of a major supplier of compatible equipment. Even though it was clearly against the suppliers' corporate policies, their salesmen worked hard at cutting us out. Therefore:

Rule 10. Assume that your suppliers' word is questionable.

No matter what they would have you think, the experience and longevity of the big corporations give them more clout when competing for available business.

Postamble

Lacking the financing and the marketing resources required to create a successful distributorship, we eventually sold out to a larger company.■

Jim Dinkey, the former president of a distributed computer company, has been involved with a number of company start-ups. He has worked in customer support positions for about eight of his 19 years in the computer business, and currently consults out of Sunnyvale, California. He has also headed several large programming projects, sold computer services, taught computer science, and worked as a programming technical writer.