

# Lessons Learned

A guide for entrepreneurs

By Sherry Squires

**'The free market system allows you to do what you want. But it's pretty unforgiving.'**

**R**ichard Escott has made a life out of small business.

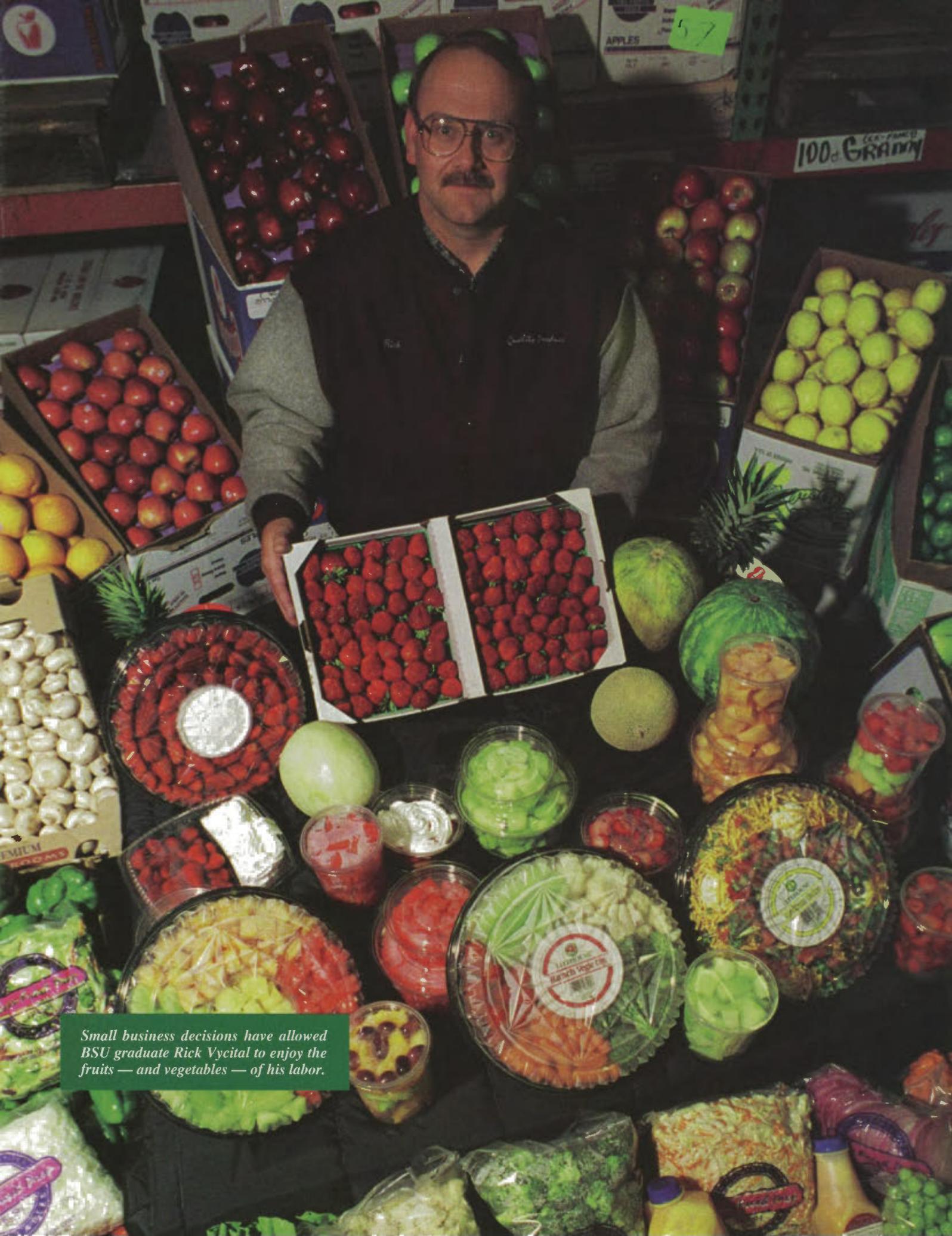
The outfitter, river guide and owner of Idaho Ventures Inc., which includes a charter boat business on Payette Lake in McCall, sells entertainment.

During the summer months, the 54-year-old loses his passengers in the serenity of Payette Lake, submerges them in the history of the area, teases them with tales of Charlie the Lake Monster, and occasionally provides a glimpse of bear and elk swimming the lake.

But, like all small business owners, Escott has his share of storms. Some days, dark thunder clouds fill the air just as he reaches the mountain top with his outfitting crew. Or the wind tosses debris into his path. Or the snow piles too high to pass.

But even more frightening, he says, are the market-based storms — the ups and downs of the free market, tax codes, government regulations and financial crunches.

These storms are true of all small business, and they make up the side that many business owners don't understand until it is



*Small business decisions have allowed BSU graduate Rick Vycital to enjoy the fruits — and vegetables — of his labor.*

too late, Boise State University business professor Kevin Learned says.

It would be easy to be lured in, to believe that owning a business of your own promises days of sunshine and independence. But that rugged independence comes with a path full of pitfalls for the unprepared, he says.

Experts believe 75 percent to 80 percent of all new small businesses close shortly after getting started, Learned says. That doesn't mean all of them fail. Some often start a business and shortly thereafter secure a better job.

But the number that are forced to close is undoubtedly high, Learned says. And most that fail do so for similar reasons.

"They don't plan adequately," Learned says. "And they don't truly understand business. The free market system allows you to do what you want. But it's pretty unforgiving. You have to have the basics."

Learned spent 15 years building a nationwide computer software company before moving to the academic side. "People want to do their own thing," he says. "They have this drive to work for themselves."

He offers some advice to those who may be considering starting a business of their own.

**Learn the ins and outs of business. It's not enough to just know your product or service. You must understand accounting, interest rates, financing, bank accounts, credit cards, business operating costs, legal issues and taxation issues.**

Gwen Alger says she knew nothing about business when she and a friend opened Something Special gift shop in Meridian in 1990. She was a therapist at the Idaho Elk's Rehabilitation Hospital for years. Her husband was a teacher.

When the opportunity unveiled itself, she put an open sign in the window, and her friends brought in some hand-crafted items to sell. A few years later, she shifted the focus to antiques because they seemed to spark some interest with her clientele.

But she never developed a plan for her business. She didn't know how to analyze the antique business or predict profits. She barely kept afloat.

"There are so many things you don't know, that you don't expect," she says. "Bookkeeping can be difficult, and advertising is so expensive. It is almost overwhelming for a small business."

Were it not for a successful investment she made in a historic

home that houses her business, she would have been forced to close her doors.

"We plunged in," she says. "I might break even, but I'll never lose because the house has increased in value, but most people don't have that luxury. I've seen so many other people here in town have to quit business after just a few months because they couldn't make it work financially and they didn't have enough money to stay at it long enough. "They lost, and they lost big."

**Be realistic. Ask yourself why you want to start a business, and be honest with yourself. If the answer is to control your own time and go on vacation whenever you want, that will not happen. "There should be some intrinsic joy in doing this," Learned says. "There should be a sense that you're going to do better than you would working for someone else."**

Alger says she would have quit a long time ago if she did not thrive on "doing my own thing."

Her business is not earning her a living, and she finds herself spending long hours and lots of energy just to keep the doors

open. "It can be frustrating, and you have no life," she says.

Her husband recently retired partly so that they can try to make the business profitable. Alger says she hopes to be successful enough to pay for her investment in the house and to be able to get away once in a while.

**Understand the customer. It's not enough to be a good cook if you want to start a restaurant. The question is, "Are there enough people out there who want to buy from another restaurant?" Decide how you are going to satisfy their needs better than what's already out there.**

Lourdes Gonzalez, 35, started making fine baby linens and towels for her two young sons after she and her husband moved to Boise from Puerto Rico six years ago. The two were both engineers with Hewlett-Packard before transferring. She couldn't find the kind of specialty items in Boise that she desired. She had taken classes in designing children's clothes, and sewing had been her hobby since she was a child.

She says she kind of fell into her business.

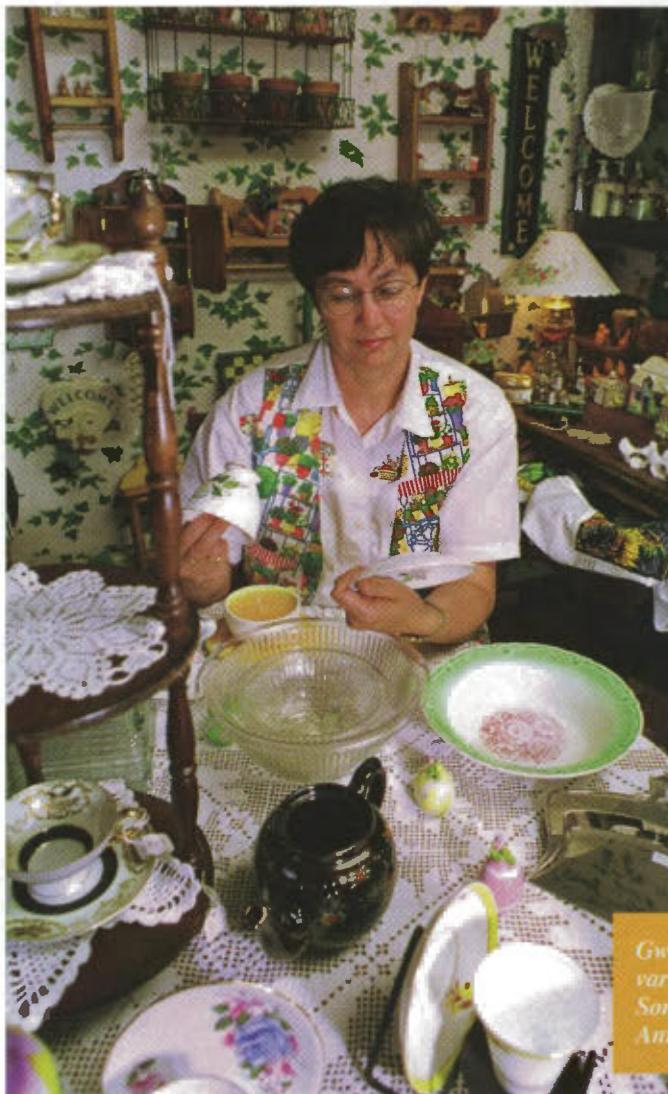
She wanted to spend more time with her children, and after friends saw her intricate designs they began placing orders. Soon the linens were on display in specialty shops in Puerto Rico, and sales increased. Gonzalez quit her engineering job and went into business for herself.

**Write a feasibility plan. Lay out how you are going to make the business work and know the financial ramifications. Develop an understanding of cash flow and how to adequately capitalize your business. If you are going to require inventory, know how you are going to pay for it.**

Gonzalez's items have gone over so well, it is now decision time. She can no longer keep up with the demand. But should she expand, and if so, how?

"If I don't do something, I will lose my market," she says. She and her husband are hoping to secure a business loan against stock that they own.

"It's scary," she says. "If you're working for a company, you have



Gwen Alger offers a variety of treasures at Something Special Antiques in Meridian.



CHUCK SCHEER PHOTO

**Professor Kevin Learned, left, and ISBDC regional director Bob Shepard advise clients who operate a retail store.**

## PARTNERSHIP PROVIDES HELP FOR BUSINESSES

*From outfitters to lollipop-makers, small businesses of all kinds seek advice from both the Boise State University College of Business and Economics and the Idaho Small Business Development Center.*

*Boise State business professor Kevin Learned says a unique partnership between academics and the ISBDC allows businesses to get the expertise they need and business students to gain practical experience.*

*ISBDC regional director Bob Shepard schedules classes for his business clients at the same time and in the same place that Learned's Boise State business students attend class.*

*The two then team the business students with business owners to write business plans, improve management skills and help solve the business people's real-world problems.*

*"No one else that we know of is combining academic classes and community outreach like this," Learned says.*

*The ISBDC program, called NxLevel makes classes available to individuals who have a business idea and want to learn how to develop a business plan, as well as to business owners who need help with expansion plans or need a thorough analysis of their business.*

*Business owners who are interested in getting some help should schedule an appointment with a counselor at the ISBDC. For more information, call 385-3875 or fax your name and phone number and request for information to 385-3877.*

a salary and you're going to get paid. This company depends on me, and it's a really big load."

Gonzalez is negotiating with local factories to mass produce her designs under the trade name Moda Bimbi.

***Start small. At some point there's no substitute for jumping in, but try something on a small scale before you bet the whole farm. Build a prototype, move to a small production run, hire someone else to make the product for you. That's much better than setting up a costly assembly line.***

Outfitter Escott tested the waters a few years ago with a fly-fishing shop to subsidize his income. But he closed after two years. "It was so seasonal," he says. "It did fine during the summer months but not well enough to get me through the winter."

He operates one boat on Payette Lake, but if he is to satisfy his customers, he is going to have to get a larger one. It took him three years to get a government permit to operate. A larger boat will require that he provide access to restrooms, meet additional federal regulations for handicapped passengers and address water-quality issues.

"I don't know yet whether I'll jump in," he says.

***Start a business to build wealth, not just to create a job for yourself. If you can build a business and ultimately sell it, you have built a resource.***

Rick Vycital of Boise has turned his business, Quality Produce, into a thriving one. The produce distribution company met its sales goals for this year before the six-month

mark. But his success is no accident. Vycital, a 1975 BSU business graduate and former investment analyst, purchased the 45-year-old company in 1994. He steadily expanded and used his knowledge of the banking industry to secure financial backing.

But even with a master's and a doctoral degree in business, Vycital has run into uncharted territory.

"I understand how to operate a business," he says. "But personnel issues are difficult. Those I have learned by the seat of my pants."

***Get a lot of advice from knowledgeable people. Talk to accountants, attorneys, business professors, the Idaho Small Business Development Center, the Chamber of Commerce.***

Escott, Alger and Gonzalez recently participated in a cooperative venture between the Idaho Small Business Development Center at Boise State wherein some of Learned's business students helped them research and write plans to improve their businesses. All say they wish they had had the knowledge when they started out.

"I definitely would have done some things differently," Escott says. "I wouldn't have started a fly shop for one thing."

Vycital participated in a more advanced class to hone his management skills and develop expansion plans for Quality Produce.

Learned says there are vast resources available for those who want to venture into small business. Books, classes and knowledgeable people can offer sound information.

"The worst way to learn is to pay the dumb tax," Learned says. "The marketplace will teach you what you don't already know. And it's expensive." □