



So, you want to start a business?

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So you want to start a business?

This booklet is written for humorous purposes. Extensive use is made of sarcasm and quite often things people cherish are made to look silly. Dreams of wealth, fame, and power can fuel ambition, but success can depend on training, hard work, luck, knowing the “right” people, and moral flexibility.

This booklet should provide an overview of the challenges to making everything from a lemonade stand to a multi nation corporation succeed.

The first thing is to define success. In business most people consider money the measure of success. We should consider all the ways money can be made.

1. Earning it as wages from someone else.
2. Selling something for more than you paid for it.
3. Renting out as do bankers, landlords, and hookers.
4. Taking it from the wages of others.
5. Building something other people want.
6. Stealing using fraud, theft or force.
7. Counterfeiting
8. Inheritance
9. Marriage
10. Receiving it as a gift.

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Some business are run at a loss as a cover for criminal activity such as a flower shop run as a front for a bookie joint.

Most often businesses are intended to make money on their own and often are arranged with overlapping methods. Typical manufacturing would make use of numbers 4 and 5.

Most business is done in the market place where goods and services are bought and sold. This market can be anything from the stock exchange to the yellow pages to a farmers market to selling drugs in a school playground.

Anywhere and anyplace a financial transaction can be completed can be considered a market. This explains the persistence of Amway distributors and insurance agents.

While not frequently considered as a business, governments make their presence known as they are also in the market to obtain money, usually using methods 4 and 6. However, one can make a case for number 7 if inflationary practices are considered.

Money attracts scoundrels like manure attracts flies. The more of it, the greater the infestation. If there weren't enough difficulties trying to make a business function, success often brings the additional problem of trying to repel boarders that can come in the guise of "fair weather friends", those who seduce and betray, and even a full frontal assault.

History of Business

Until almost 300 years ago most business was family business. A family might make extensive use of slaves or serfs, but the reach of an economic enterprise was limited by how much control a particular family could exert.

Big changes took place in a short period. Slavery and serfdom were ending because those who had made use of their services discovered that paying for children, the sick, and the aged was not profitable and paying only wages for actual work saved a lot of money. Subsequent “freedom” was a lot like pushing a donkey off a cliff and yelling “Fly!”.

The joint stock corporation was invented where a legal entity was created with greater advantage than that of an individual, limited liability. A large enterprise could be undertaken with less risk to the investor than if he had undertaken it an individual.

The industrial revolution provided the technology that allowed larger enterprises to thrive at the expense of the smaller less efficient family businesses.



The transition from family business to wage slaves has not ushered in the utopia many had thought but the spiritual cancer of the welfare state, intrusive government, and collectivism

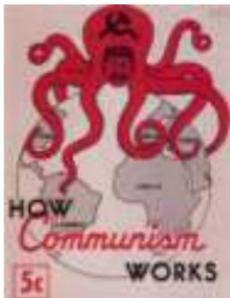
Capital Formation

Capitalism is not the opposite of communism. It is the formation of two economic collectives. The first is the collective of investors who have been persuaded to allow their money to infuse life into a corporate Frankenstein.

The second collective are the employees hired to perform the work of the Frankenstein. It is interesting how often the goals of these two collectives run contrary to each other.

Enough history has taken place that one can extrapolate the trend of capitalism. Corporations merge and get larger while all other business are taken over or go under. Eventually the large corporations will merge with the government and there will be one collective running the world.

Capitalism is not the same thing as a “free market”. In fact, the inherent inefficiencies of large corporations usually require them to solicit government intervention in the market to assure their own survival.



Communism /
Capitalism

We never really
had much of a
chance.



The Business Plan

Most business schools elevate the importance of the business plan because they teach how to prepare one. They show you how to harness the power of the spread sheet, pie chart, and marketing survey. If you anticipate using your plan to get little old ladies to part with their life savings, you may want to put more effort into looking clean and being nice.

The big money investors are at investment houses and the shine on your shoes makes less difference than if you went to the same New England prep school.

Just like the saying that fishing lures are not designed to catch fish, but fishermen, a business plan is not a meticulous detailed roadmap to business success, but a slick tool to convince bankers that you know the secret location of El Dorado.

Even if you plan to do something new and innovative, you should consider that investors are scared of anything new. You should present your idea as it is a duplicate of something else that was successful. This is how the feminist reboot of the movie Ghostbusters was able to raise millions.

You may want to leave out preemptive assurances such as it is not your immediate plan to abscond with the investment money to Brazil.

The Lemonade Stand

Many basic business dynamics are present using the illustration of a lemonade stand. Here are some take away points from operating a small business;

1. Do not poison anyone you know.
2. If you can't be cute, go for pathos.
3. July is better than January.
4. By the sidewalk is better than the in backyard.
5. Nitric acid and water tastes much like lemonade.
6. Charge for using a cup.
7. Charge more for a new cup.
8. Zoning laws are for suckers.
9. Have a "tip" jar.
10. Offer a reasonably priced antidote.



Locating in a cow pasture may not be the best strategy, but operating without employees helps reduce withholding taxes, profit sharing, and inventory losses from thirsty children.

The Myth of the “Free” Market

If you try to set up a table at a Farmer’s Market, you will quickly learn that the best spots are already taken by friends of the people who run the market. You may even be told that you are not welcome if you bring more of what is already for sale.

Most markets are “rigged” to some extent. When people desire a free market, they usually mean a freer market.

It is important to identify the market you wish to participate in and learn the restrictions and how they can be avoided or turned to your advantage. There are numerous roadblocks that can be dodged and used to cripple your competitors such as zoning laws, safety requirements, licensing requirements, special taxes, asset requirements, and general regulations to name a few.

If you run afoul of the market manipulators, you may find the phrase “fire sale” has a new meaning.



Monopolies

There is a definite financial advantage to being “the only game in town”. I goes without saying if you can find a monopoly, you should keep it.

Most people dream about having a monopoly such that they often fail to recognize when they are in the way of someone else trying to create a monopoly. John D. Rockefeller was able to blind side a number of people as he put together his business empire.

Building a monopoly is like playing the card game Hearts. You can be tempted to go for the run, but if you come up short, you can lose everything.

Even criminals recognize the hazards of trying to “corner the market”. This explains the formation of cartels so that a group monopoly can limit individual risk.

If you consider J.P. Morgan, Carnegie, Rockefeller, Ford, Gates, and Buffet you begin to see a pattern of transferring wealth to a “non-profit” foundation so that you become less of a social target, keep most of your money, cover your expenses, and provide for your heirs. This approach has to be exercised with some caution, bunglers like the Clintons can ruin it for everyone.



The Criminal Enterprise

Government restriction such as alcohol and drug prohibition create an opportunity for tremendous profits because competition is thinned out due to the associated risks. Like diving for treasure in shark infested waters, you send others to take the risk while you await the rewards.

The way to manage risks is to get other people to take them . For example the pimp may not be as at risk for debilitating disease as those who work for him.

The biggest problems are those of personnel. Those who don't care about risks, are unable to understand consequences, or are willing to risk taking you out of the picture, add to the difficulties in recruitment, management, and advancement of key personnel in your enterprise.

If you are so cold hearted as to use people who trust you and discard them like used Kleenex, you may do well in this business segment. However, with this skill set, one might advance even further in the fields of banking, law, or politics.



First Level Management

In the military the term “pushing troops” is used to refer to the difficulty of organizing collective effort. In a business the supervisor is the person who has the responsibility to make sure the employees are actually doing what they are getting paid for.



At first it might seem a daunting task to be able to coerce people to be your slaves even when you are willing to pay the minimum wage. It may even seem more daunting to keep them focused and productive when their natural inclination might be to seek after their own interests. In this you have generations of public institutions working tirelessly to insure a steady supply of compliant drones.



The Business Idea

Most businesses start when a person spots an opportunity. For example seeing a piece of hardly consumed candy in the hand of a baby at the same time recognizing that no one is watching provides an opportunity.

The fermentation of a more complex idea along with a plan to achieve it can be seen in the example of Ne-man and Kramer as they work to obtain a greater bottle deposit refund.



This initial planning is more like a feasibility study as opposed to an actual business plan. It is hopefully at this point that reality can defeat enthusiasm as there can be a spectrum of consequences from embarrassment to financial ruin awaiting the unwary, incautious, and the overly optimistic.

Not all ideas can be made to work. Not all ideas should be made to work. If your friends won't give you honest advice, ask them to invest their money and you can get a quick idea of what they really think.

How to start

There are two basic approaches. If you have raised a lot of other people's money such as from investors, you can pretty much go full tilt spending money until it is all gone or you start to generate some income.

If you are using your own money and plan to have the business grow at its own rate, you need to cut every corner and watch every penny.

Investor money

Don't buy expensive office furniture.

Don't have too much inventory.

Don't offer excessive employee benefits.

Make sure you get the quality you are paying for.

Use some of the money as pretend dividends to reassure investors.

Give yourself stock options in other companies.

Your own money

Use your garage or basement as an office.

Apologize for late shipments.

Use illegals, students, boy-scouts, and derelicts.

Minimize the risk of using stolen parts by using a false name.

Sell drugs on the side to pay off loan sharks.

Hide your money in your mattress.

The Franchise Option

Many people consider purchasing a franchise option such as McDonalds, Burger King, Subway, or an Arthur Murray Dance Studio.

This option may not be for those who resent someone breathing down their neck and telling them what to do and how to do it.

This may be an option for someone who wants to own several franchises and get managers for each to deal with all the rules and regulations while you breathe down their neck.

You may wish to give a careful look at the contracts you will have to sign. You will probably face the following restrictions;

1. You have to pay a hefty up front fee.
2. You have to pay many ongoing fees.
3. Fees can increase with little of no warning.
4. You have to purchase your material and supplies from the franchiser. (the price can increase)
5. You are not allowed to sell anything other than what you are told.
6. You may be required to invest in facility expansion and improvement without warning.
7. You may be levied to pay for advertising.

If you didn't mind serving in the Marines, this could work for you.

Zoning Laws

Many people consider the interference with business by the federal government to be one of the biggest problems for business. They may not fully appreciate the difficulties posed by local or municipal government.

Local government is usually directed by housewives who do not want anything to make their city ugly like business, industry, low rent housing, or poor people. As a result, laws are passed that require businesses to be located at the edge of town in a swamp called a “business center”.

Housing ordinances are passed that result in apartment rents over \$1000 a month, insuring that poor people have to live 25 to a room.

When a town really gets motivated, they can pass laws against ugly cars, ugly buildings, and ugly people. If a woman wants to start a small bakery she often finds out she is required to sign a five year lease for an “approved” (meaning expensive) location as well as purchase thousands of dollars of stainless steel products to meet health requirements.



Financing

There was a time when some bankers used to be interested in your success as well as their own. They would not loan you money if they thought your chances of success were not very good.

Today many bankers will loan you money in exchange for the right to seize all your assets. In a way, they almost hope you fail so they can get your house or other assets you placed at risk for a song.

People have a tendency to look at borrowed money almost as they do with investor money.

To see where the advantage is in the money loaning business, consider that the Mafia has no job description called “borrower shark”.



If you want to start a loan shark business remember what banks already know, it is better to get a little forever rather than having the loan paid off.

Inventions

Many people think that having a good idea will guarantee success. Most ideas are not really very good and the ones that are make you the target for someone to exploit.

Consider that both Bill Gates and Thomas Edison achieved financial riches not so much from innovation as through harnessing the power of lawyers. If you can get a judge to rule that something is yours, it is even better than inventing it yourself.

Some have found ways to use the patent system like technology squatters where they patent a vague idea and sue anyone who tries to do anything related to the idea. For example someone might get a patent on a flying car and sue anyone who makes a car that goes faster than 55 mph because it might start to fly.



If your idea is not very good no one will want to steal it and you do not need a patent. If your idea is good, people with many lawyers will try to get it. Lawyers charge by the hour and even if your lawyer is good, he will lose interest when you run out of money.

Routine Lawsuits

Since the American legal system is sort of like a state lottery but with much better odds, the chance of your business getting sued is much greater than it would be in a more rational society.

Anyone with deep pockets is considered fair game. In addition to those pursuing a strictly mercenary assault, are the increasing number of people who feel that they have been “injured” because someone made them feel bad.

Many lawyers are driven by a combination of greed, self-righteousness, and law school debt. They see any injury, real or imagined, as an opportunity. Those that work on a contingency basis are sort of like gamblers betting on their ability to take the delusions of a dufuss hipster and persuade a judge and jury to believe it. The process is not about truth or right, but about what 12 people can be made to believe.



Discrimination

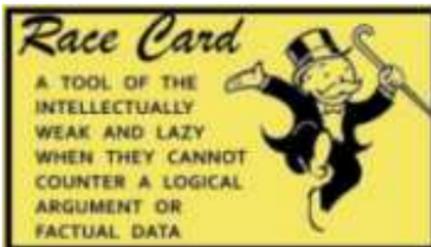
Some people are so intimidated by the fear of being called a racist, they end up giving preferential treatment to one group over another which is a type of reverse discrimination. As a general rule, treat everyone the same and keep everything work related.

If you want to fire someone who is an alcoholic, you may want to separate whatever you may think is the cause of their problem from the effect.

One way to look at this is that if a person is an alcoholic and is proud of it and has a T-shirt declaring it, but he does the work of ten people, you might want to hire more alcoholics. In reality an alcoholic may only do the work of 1/10 of a person, and that is the reason you fire him.



A photo like this can work wonders in a defense against charges of discrimination.



It can be difficult for some people to understand that they are being fired for being a moron rather than because of their race. This is especially true for morons.

Insurance

In the 1960s Chicago restaurants were often offered an opportunity to buy fire insurance. If they did not take advantage of the offer, their restaurants burned to the ground.

Most insurance companies today are a little less aggressive. Insurance is legalized gambling and the house (the insurance company) set the rules to make sure they always win. When people choose not to play, they often get legislation passed requiring people to purchase their products.

If you should ever file a claim you may find that they are tighter than Silas Marner with a penny, find your rates raised, your claim denied, and you are tagged as a troublemaker.

Insurance companies start by playing on your fears and often end making you more afraid of them. Ironically bringing us full circle to Chicago of the 60s.



Perceived Value

Occasionally you will have to contend with faddish phenomena like when the term “perceived value” was in vogue. For example, a person would order an amount of product at a set price. When the product was delivered, the customer would “perceive” the value to be less than that was agreed and only pay a portion of the amount due. It sounds stupid, but people actually attempted to foist this upon businesses.

Another more persistent term of “comparable worth” can come round. An employee may demand more pay because their position is “comparable” with someone getting paid more. For example, a secretary may claim she should get paid as much as a garbage man because they have the same education. The clever entrepreneur will figure a way to use this to pay garbage men less. However, the increase expenditure for deodorant may offset the savings.

Like a video game that has random events to cripple your plans, you have to be flexible to deal with the many social idiocies that can surprise you.



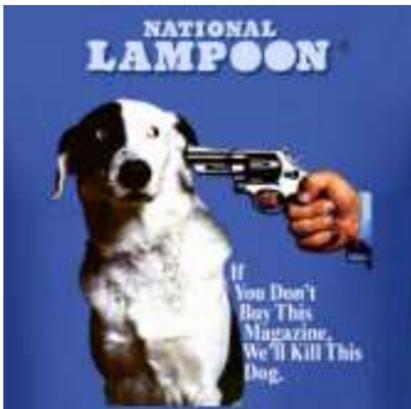
Becoming unpopular and the target of mob hatred can be unexpected



Advertising

Part of having a business is letting people know what you sell or do so that if they are interested, they can make a purchase. Some advertising goes further and attempts to create or amplify a desire such as suggesting (or even promising) that making a purchase will result in social acceptance, accumulating untold riches, or achieving marital bliss.

If repeat business is going to be important to you, you may want to keep your claims closer to reality.



Subtle manipulation may be more effective in the long run than a more aggressive approach to gain a sale.

Distribution

If you do not sell directly to a customer, you may have to sell through a distributor (now called, by those in the know, a distribution “channel”).

Many markets are only penetrated by getting distributors to agree to sell your products. For example, people with book stores usually only order books to sell that are carried by the distributors through whom they order.

Distributors often want 1/4 to 1/2 of the money you charge for themselves. The middle man has always been a profitable location and why the farmer gets 3 cents for what’s inside a \$3 box of Wheaties.

The control of distribution can give distributors the power to make suppliers really tighten their belts, such as using illegal labor or making use of sweat shops overseas. Slavery has always been an attractive way to make money.



Theft

The business owner has to contend with losses beyond just the governmental and insurance rackets. Neighborhood youth (commonly called vandals), customers (commonly called shoplifters), and employees (commonly called pilferers) also represent threats to inventory, tools, supplies, and equipment.

One can think of a business like a ship. A ship will always leak a little and usually has a bilge pump to make sure the problem does not get out of hand. When a business hemorrhages money like the Titanic taking on water, it may be time to improve security.

Besides the removal of property, the loss of time can also be considered theft. Consider an employee that is bored and lonely calling frequent meetings so he gets a chance to surround himself with company.

Consider an employee who drags his feet so that he can get some overtime for the work he should have already finished.



You can start an anti-theft program by informing your employees of how embarrassing it will be to explain to their cell mate that the reason they got sent to the slammer was for paper clip theft.

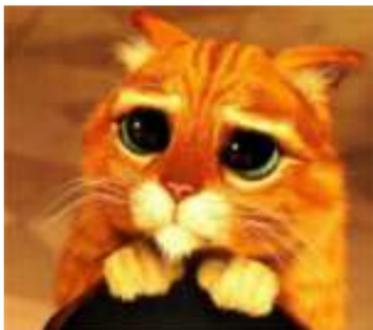
Charities

If you have a published phone number for your business, you will quickly encounter many of the “charities” that cold call seeking money. They will structure their call so that it makes you look like a heartless monster if you hang up or cut them off. They play off the fear that you might look like someone who would club baby seals, set disabled veterans on fire, or push orphans in front of trains.



Closer to the extortion end of the charitable spectrum are the community organizers who imply that your business will be targeted for boycott, strikes, bad publicity, and charges of racism if you do not make a contribution to their cause.

A defensive strategy is to claim that all charitable donations are made through your church. If pressed, you can hint that it is an obscure Asian cult.



Those who trade in images of pathos to cash in on your compassion do not deserve much in the way of consideration.

Location, Location, Location

Some businesses can be run from a location as remote as an igloo north of Nome. Others (particularly those that rely on foot traffic) have to be careful in selecting a business location. Even more than selecting where to plant a tree, you need to get the selection of a business location right.

A neighborhood that is transitioning into a demilitarized zone may not be a good fit for a trendy bistro. However, a pawn shop or a payday lender could do well.

In municipalities that through public policy have decided that the mentally ill and the addicted need to be housed on the street, you may face some difficulties. However, these challenges can be worked around if you place your business where your customers can get to, but the homeless find difficult.



Strategic location selection can also benefit in the event of flooding.

Sales

There are people in sales who often have a skill to close a deal. They usually work in the used car, real estate, and insurance businesses. Many sales people just answer the phone and take orders.

A good salesman has to keep his motivation even after having been hung up on, having doors slammed in his face, and getting shot. This usually requires a thick skin or mental dullness.

There are some sales positions such as making cold call telephone sales that are particularly daunting. The outside sales guy travels to various customers and has the opportunity to break up his daily routine.

You can tell the salesman that works on pure commission. His suit is wrinkled from sleeping in his car and he shows signs of malnutrition based dieting.

One sign a salesman is losing his motivation is taking a three hour lunch without a customer and call forwarding his cell phone to the engineering department.



Putting together a sales team that operates like a frat house may not be the best business approach.

Predatory Lawsuits

If you have an inner city business you can expect law suits from people who “fall down” in your store. They usually sue for \$25,000 and let the insurance company settle for \$10,000 of which the faller may get half.

You may have a business in a hated industry like tobacco, big oil, coal, or any Christian institution and be a target of law suits that are a political platform of hatred, although if they can cripple you financially they consider it an extra bonus.

One of the benefits of having a business that is not very successful is that you are seldom the target of those who simply seek financial gain. Here, there is an advantage in driving a rusty Chevy Nova when your competitor drives a new Mercedes.



You may find that having incorporated your business does not offer the protection of your personal assets as much as you thought.

What Made America Great

An illegal from Guatemala once made enough money to return home and purchase three used buses and start a bus company. He started to have some success and soon rough fellows persuaded him to give them the company he started in exchange for his life and that of his family. This in a nut shell explains why people from around the world want to come to the United States.

The lower percentage of people who kill, steal, and extort is not a reflection of our political process, culture, art, or education. Christian countries have fewer people that steal than non-Christian ones. Now that most people are rapidly abandoning Christianity and even legacy Christian practices, we are quickly turning into a country where it is easier to take a business from someone else than start one on your own.

It is sad that so many people risk so much just to get here only to find out they are too late and we are starting to embrace the evil they were trying to flee.



Profit Margin

The mythical goal of a business is to make a profit. Aligned against this are the government, greedy distributors, avaricious customers, litigious predators, light fingered employees, and ruthless competitors. It can make one more paranoid than a feudal king.

Even mega-companies can flounder in an attempt to make a profit as they often get saddled with internal empire building that eats up revenue. Periodic layoffs are useful not only to adjust to a decline in sales, but to shake out the dead wood that accumulates with empire building. Similar to the purges under Stalin.

It has been said that your operating and material expenses determine your cost and your competition determines your price. The difference is your profit.

Most college graduates in business get a job where they are instructed to improve the profit margin (presumably to pay their own salary). Not knowing how to grow the business, they usually resort to adding water if their product is liquid, making it thinner, smaller, or of cheaper materials, or raising the price and blaming the sales force if they lose market share.

When asked the secret of his success, one business man replied, "I buy for \$1 and sell for \$10, that way I make my 10%.—Not a math major, but still successful.

Internet Presence

Having the best web site in the world won't help you if no one can find it. This is where companies like Google come in. They offer to place your web site higher in searches if you pay them for the privilege.

You quickly find out that you are paying a relatively high amount for every display of your web address on searches from hemorrhoid cream to parakeet feed.

Since fewer people know how to read, you may wish to present your product or service using a video with a catchy tune. It can be a little sad to see a dentist reduced to wearing a tuxedo with a top hat and cane as he tap dances to communicate the advantages of his dental practice.

An Internet store avoids the problems with location and local graft, but it won't take long for the business predators to adapt and develop new ways to plunder on-line businesses.

If you start selling on the Internet you will quickly discover that the US government pays China to ship things to the US at less than 1/6th the cost they charge you to mail something across town.

Make sure your email address is prominently displayed to insure that you don't miss out on investment opportunities with Nigerian royalty.

Selling Value or Economy

A grocery store is a good place to see the difference between the same item of different brands. The name brand is usually considered to be of greater value and can command a higher price. The store brand or generic brand is considered to be of lesser value and is purchased for its lower price.

The idea of value is usually the result of advertising paid for by the higher price. Many smokers chose Marlboro cigarettes because they associated the image of the cowboy with the brand. This provided the smoker with the illusion of rugged individualism that could be quite a comfort when he was in the hospital with lung cancer.



Your customers will never be satisfied. If you sell cheap stuff, they will want more features. If you sell top of the line, they will want lower cost. Tell them, “Fast, Cheap, Good; pick any two”.

Credit Cards

It is almost a necessity for a merchant to offer customers the option of purchasing with a credit card. Not always apparent to the customer is what a pain it is to deal with the credit card companies.

Often the credit card processing equipment is only available to the merchant on a rental basis and he pays an amount approximating the national debt for an old terminal with the buttons falling off.

Merchants are sworn to secrecy and are not allowed to tell cash customers they are paying the same price that includes credit card fees as the credit card customers. It is a little like being a Mason.

Merchants are sometimes offered an opportunity to keep a fraction of a percent on each transaction if they can make their customers jump through hoops. The idea that customers should shut up and do what they are told is an interesting business model.



Getting customers to process their own credit cards, ring up their own sales, and pack up their own purchases may eventually lead to them staying at home and making the products themselves and still paying you for the privilege.

Small, Medium, and Big Business

In a small business you try to take care of your customer. In a medium business, you try to take care of your boss. In a big business you try to carve out a comfortable niche.

The smaller the business the less opportunity there is to indulge idiot ideas. Medium and large business find that their size creates a sort of inertia or momentum that is driven in large part by external social and political trends. As a result, the enterprise may adopt whatever trend is fashionable even if it operates against its own best interests.

Consider quality circles, ISO9000, PERT charts, benchmarking, supply chain management, reengineering, and vendor partnerships. There are legions of consultants who bleed your company of money by providing “expert” training on these “wheel spinning” activities and many others that consume resources but never actually seem to increase sales, reduce costs, or increase efficiency.



Here employees learn to be more efficient by falling asleep at an expensive training resort in Maui. Small companies often miss out.

Teams

The division of employees into teams is very popular. In this way the one guy who actually does the work can be criticized by the others, and blamed if anything goes wrong.

Especially in bigger companies many college graduates are hired who have no hope of ever being productive. In order to preserve their abundant self-esteem, they can be assigned to a team and led to believe that they contribute by their criticism of those who actually do the work.

This process also is of benefit to the supervisor who now no longer needs to understand what is going on, measure the performance of his employees, provide instruction and guidance. He is now free to attend endless meetings that talk about his team.

Many especially larger organizations benefit from the establishment of cohesive teams. When conformity and compliance are valued more than achievement, teams are the way to go.



Here leg irons are used to make sure that in the enthusiasm of playing follow the leader the team spirit is not lost.

Peer Reviews

There once was a time when a supervisor knew the job and could train those he hired in how to do it. This was a fairly efficient system and the supervisor would review the performance of each employee and tell them what improvements he expected.

With the introduction of peer review systems, the one person who actually knew what was going on is removed from the process and higher marks are given for congeniality than productivity.

Cowardly and lazy supervisors are now able to chastise their employees when they fail to achieve popularity. This system is not well suited to smaller enterprises as actual productivity is often decreased. However, the advantage for the larger enterprise is group conformity.



Peer dynamics can be observed in communist political reeducation camps where self-criticism and confession of anti-revolutionary crimes can help achieve group acceptance.

Inventory Control

When you own a business a large part of your financial resources can be sitting in your stock room as inventory. Even if you only require a few items, you will probably find you have too much of one thing and not enough of another.

Consultants will offer expert advice on how to free up your inventory dollars. They will usually suggest some variation of “just in time” inventory control. With this approach you reduce your inventory by having your vendors carry the stock and pay higher shipping charges to get the material only as you just need it.

However, this does little to lower your inventory costs as you are paying a higher price for your vendor to do what you used to. This results in the same cost but for less inventory. You also run out of material more often.



For want of a nail, the shoe was lost...

Business travel

This can seem exciting if you are under 25. The prospect of lost luggage, canceled flights, being groped by government employees, a rental car that needs a two week training course, and a motel room whose AC produces so much noise you would think it should work leaves the frequent traveler longing for home.

It is hard to make even a short trip for under \$1,000. It is hard to justify the expense of travel unless you are trying to calm an angry customer, fix broken equipment you sold, or close a big sale. Sales meetings, training junkets, and team building exercises are justified only if the company has surplus cash that would go to taxes anyway.

Employees who seek frequent travel might be trying to avoid domestic problems, trying to avoid work problems, or enjoy exotic locations such as Des Moines, Cleveland, or Scranton.



Part of the joy of travel is knowing that if you object you will be arrested as either a terrorist or a homophobe. The guy in blue has a perverts dream job.

Terms and Conditions

Many companies will purchase from you by issuing a purchase order that has fine print on it which states that by accepting the order you are agreeing to their terms and condition. These may only be three of four pages of small print, but can run on to over fifty.

By accepting such an order you may be putting your company at a significant legal risk. Frequently you are agreeing to provide your customer with free insurance. Sometimes you are agreeing to open your facilities, records, and personnel to interrogation by representatives of your customer.

There are all sorts of ways you can be placed at a disadvantage. These terms are usually revealed after you quoted a specific price, which is a little like telling the checkout gal at the supermarket after you bought a loaf of bread that she now has to also go out and wash your car.



Apparently the princess neglected to check her agreement with Rumpelstiltskin for terms and conditions.

Common Sense

It is unlikely that this ironically uncommon attribute can be used with medium or large businesses. One example is the military which is famous for over spending and the \$400 hammer. Which is often the result of the out of control pursuit of control.

Fearful that a purchasing agent may spend too much or purchase from a friend, regulations are put in place to make sure that when a hammer is purchased it is really a hammer and not a Popsicle stick.

Specifications are written, bids are taken, inspections are made, and soon the cost of a hammer approaches \$400. Ironically this is done to control cost. It would have been much less expensive just to file criminal charges against a larcenous purchasing agent.

Usually only a small company is free to deal with the exception as opposed to trying to control every action so that there are no exceptions.



The cost of control is usually much higher than the cost of dealing with an occasional screw up, which happens anyway even with the tightest control systems.

Bonuses

It is not unusual to want to reward people when the business has done especially well. However there are many ways for this to go wrong.

Some companies offer incentive and reward packages you can purchase and often make use of a catalog where employees can select items like a tote bag or a genuine Timx watch from China with a broken second hand. If your employees are this easily amused with trinkets, you may not need a reward program.

You will find that a person that you give \$10,000 dollars to will not be grateful because he found out that someone else got \$11,000.

A yearly bonus can come to be expected and removed from the actual performance that warranted it so that you have all of the negatives and none of the positives of rewarding performance.

If everyone is going to be ungrateful anyway, you may want to put the extra money in a fund to keep the company going when times get hard.



If the government wants to take any money you try to save, you can put the money into an acquisition and try to keep it out of their greedy little hands.

Information Technology

If you are first starting your business, your IT department may be just you sitting in front of your computer cursing at Windows. As the business grows you can hire someone to curse at Windows.

You may wish to have your network configured to prohibit your employees from accessing the Internet. On the other hand you may also wish to allow them access and record every site they visit so you can blackmail them. You may also want to consider that your IT manager may wish to blackmail you.

If you have an on-line presence and host your own web site, you may want extra bandwidth for all the background activity of Google, Facebook, and the government to track and record everything you and your customers do.

You might want to consider a stand alone phone system rather than voice over IP as when the computer goes down your customers may still be able to get a hold of you and not think you disappeared from the face of the earth.



A well run IT department is crucial to maintaining the tools employees need to function at optimum proficiency

Sales Reps

A sales rep is supposedly someone who spends his day calling on prospective customers and telling them how great your products are. For this service they usually want 25-35% of all your sales revenue for their territory.

Many times these guys just spend their day golfing with their friends. If you should let them know you will be visiting them and ask them to take you to the customers they have been calling on, you will make them scramble to set up appointments with people to pretend they have been working hard to present your products to everyone.

These guys are generally not interested in helping your company get started. They are more interested in the person who already has \$50,000-\$100,000 in sales in their territory. Like a banker who won't loan you money unless you can prove you don't need it, sales reps are interested in companies that already have sales.



You don't
always get
what you pay
for.

Hiring the Right People

If your business grows, you will not be able to do everything yourself. You may decide against family and friends as you already know them. However, there are risks associated with hiring strangers.

The two pieces of information you will have about who to hire are the resume and the interview.

Red flags on a resume;

2010-2015 Worked for the State

2011-2011 Military Service

2001 Flight training

2006-2017 College - Bachelor of Arts

2015-Present Witness Protection Program

Anything with the word “sociology”

Red flags in an interview;

How long are the breaks?

Do the medical benefits include rehab?

You don't have any restrictions on what happens in the bathroom do you?

Is there any retirement pay after six months?

You're not going to contact my last employer are you?

I believe that narcolepsy is covered by the ADA?

You're not going to make me pay for the stuff I break are you?

The Personnel Department

This is the department you fill with women and minorities since it is not crucial to your enterprise. Be prepared to be constantly nagged for training programs, awareness programs, and all sorts of government and social foolishness.

Since the people who work in this department know nothing about the work of your business, they will recommend people for employment based on the number of buzz words that match between a resume and a job description.

These are the people you are going to stick with the dirty job of telling other employees they are laid off. So you want to make sure they are laid off last.

Employees often see the personnel department like those in the military see the chaplain service. When people are sad, angry, or bored they often visit the personnel department to find a sympathetic ear.



Employee being counseled who was made sad by the color yellow

Consultants

One consultant was asked the secret of his success. He answered that he would go into a company, find the oldest guy he could and ask him what was wrong with the company. These guys are like a damn waiting to burst. I would write down everything he said, put it in a report, and send them a bill for \$50,000.

Hiring a consultant can be a defensive measure like giving to charity. If you get sued for something, you can stand in front of a jury and show that the money you spent on a consultant shows your sincere desire to prevent whatever their claim is.

Frequently a woman will be hired and placed in a management position. She will be assigned some task and she will then hire a consultant who will tell her what needs to be done. People less socially aware might wonder why the consultant wasn't hired instead of the woman.

If a consultant is hired for his expertise in some area, you want to make sure he does not guide you to purchase from a specific supplier like a sleazy tour guide recommending a "special" shop.



The MBA

The gold standard of business education is a Masters in Business Administration from Wharton, Stanford, or Harvard. There was a large crop of graduates in the 1980s that penetrated every major corporation and demonstrated their worth through complex methods of asset sales, discontinuing sub-optimal products, and debt expansion.

Most of the apparent increase in profitability was the result of “hollowing out” the corporation of fixed assets such that anything of value was plundered. They often arranged handsome “golden parachutes” for themselves so that as the corporation collapsed like a house of cards, they could (like locusts) move on to the next opportunity.

The subsequent crop of MBA graduates in the 1990s were saddened to find little left in the wake of their predecessors who had swept through corporations like a horde of Mongol barbarians.



It is not the critic who counts; not the man who points out how the strong man stumbles, or where the doer of deeds could have done them better. The credit belongs to the man who is actually in the arena, whose face is marred by dust and sweat and blood; who strives valiantly; who errs, who comes short again and again, because there is no effort without error and shortcoming; but who does actually strive to do the deeds; who knows great enthusiasms, the great devotions; who spends himself in a worthy cause; who at the best knows in the end the triumph of high achievement, and who at the worst, if he fails, at least fails while daring greatly, so that his place shall never be with those cold and timid souls who neither know victory nor defeat. - Teddy Roosevelt

The person driven by greed may find the demands of actual business too daunting. He should go for the quick kill. Find a business he can take over, get the accountants to polish up the balance sheet, and sell it to some unsuspecting soul with more money than brains.

Businessmen are often portrayed as driven by greed. However, the strength to sustain a person beset by thieves, critics, and communists (those who want to direct, control, and take over) must come from the satisfaction of making the business function in spite of the hostile environment.

To learn more about business, read Dilbert