

Do You Have an Edifice Complex?

BY LYNN DRAKE

New business people, infused with optimism, take delight in buying or leasing a business. They spend big dollars for awnings, neon signs and landscaping, not to mention signing a multiple-year lease. Some people invest their entire pension in a new enterprise with hope it will work.

I may sound like your Dutch uncle, but I'd warn against spending money on something you don't really need now and may have less use for in the future. With start-up business, you'll find cash is king. The more cash in reserve the greater your chances of staying in business through that costly first year. You have something in reserve to buy supplies, pay for airline tickets to bid on projects and launch a marketing campaign.

Ask yourself if you really need that edifice. Even a bona fide deal of the century – say \$300 a month for a private office suite puts you in debt for \$3,600 a year not to mention heat, insurance, build-out and furniture. How much space do you really need? How far in debt do you want to go?

I asked myself this very question when I left a large commercial real estate company to forge Compass Commercial in late 2010. I had an inside track on properties offering excellent deals. Hey, I'm in the business. But I accomplished an even better deal by working out of my home for a year. My commuting costs were low and the firm thrived. By the time our business grew to four employees we had crowded out my family and made permanent claim to the dining room. Then it was time to select alternate space. We had a functioning team, a clear picture of our target clients and some cash in reserve. Now we were ready for commercial property.

By my CPA's calculation, our reserve added up to \$10,000 by working from home that first year. Indeed we invested in a commercial address, purchased from our local UPS office. A friend

loaned us her conference room for high-powered meetings. We took full advantage of all the options for telecommuting, from Skype calls to Linked-In networking.

Small business owners can lease an office, mail service, answering service or a large conference space as needed in companies that rent executive space to entrepreneurs. Organizations such as Automation Alley in Troy and Tech Town in Detroit offer incubator space at a very reasonable price.

Start small and save your cash for equipment and staff. Whatever business you embark upon, it will take more cash and more equipment than you planned. Speaking of planning, you can access a myriad of resources to grow your business. The neon sign can wait.

Right now, check out www.automationalley.com, www.techtownwsu.org, and www.sba.gov for classes offered at a nominal fee in writing a business plan, deciding whether you have the aptitude for a business and marketing your services.

Start your enterprise on the kitchen table or in the garage. Watch every penny you spend and maximize every dollar you make. The edifice will be waiting in a year, maybe five years. Your name could light up the night in neon. When you are ready!

Lynn Drake is President of ITRA / Compass Commercial, LLC, located in Troy, Michigan. Lynn may be contacted by telephone at 1.248.341.2410 or by email at ld@compass-commercial.com