



How NOT to Start a Small Business

Some insight into the pitfalls awaiting small business entrepreneurs can save your grief and false starts. What to watch out for? We share some pointers on how to look . . . before you leap.

Lessons Through the Eyes of an Entrepreneur Who's Been There

Sometimes the best way to do something well is to learn what *not* to do. After Trent Dyrsmid's first company turned into a dot-bomb, he set up a new business from his apartment—broke and unemployed. Was it easy? No. Was it worth it? Yes. With no product, no track record and no customers, Trent's IT firm eventually became profitable. He shared his secrets on May 17th at the Vancouver Board of Trade's Manager's Toolbox Series.

Succeed by being in business

Trent started the presentation by stating his conclusion, which also happened to be the best piece of advice he has ever received about starting a business. *The best way to succeed in business is to be in business.* "I don't remember who told me that. At the time I heard it, I thought it was just stupid," he said. "But that's the most important advice I have to give."

Starting a business isn't easy—especially when you have no business plan, no customers and no model. But ultimately it comes down to money. "In the first six months, prepare for the worst," said Trent who eventually accumulated more than \$100,000 in debt trying to get Dyrand Systems, his latest business, off the ground. "Don't go in under-funded. You should have three or four times more money than you think you need." Trent was also fortunate to have the financial support of a mentor. "Either you make sure you have enough money or you make sure you have a relationship with someone who believes in you and has the means to support you."

But he admitted that the burden of debt helped motivate him to achieve profitability. "It wasn't very fun. I didn't get paid for the first two years. If I wasn't a hundred grand in debt, I probably would have quit."

You know the most about your business

In the first few months, Trent and his partner took on a "smile and dial" cold calling approach to generating sales. Wanting to increase revenue, Trent hired three sales reps and a telemarketing consultant. In retrospect, this was a terrible move. In six months, the sales team had generated no sales and the company had taken on additional debt paying salaries and administrative costs. "We lost money very, very quickly," he said. "I

learned that when you hire sales reps, make sure you have an environment conducive to success. A website, brochure, testimonials, selling methodologies, training program, database of leads. We had none of that."

In the end, he fired them all and learned a valuable lesson about using telemarketing consultants. "Nobody could generate a lead for our business as well as we could. I was looking for the magic bullet, hoping that someone from outside our company could sell for us." He also confessed to hiring ineffective 'B' talent. "If you can't hire 'A' talent, don't hire anyone. Unfortunately I hired 'B' talent because that's all I could afford."

Use products to grow revenue

He distinguished between two types of businesses: those that sell services and those that sell products. When Dyrand Systems partnered with SonicWALL, Trent realized that he could grow revenues without hiring more people. By year two, these ideas helped Trent "productize" his business. Make more money without additional expenses. "Your business should try to 'scale' by getting away from selling billable hours," he said. Companies that sell services have problems increasing revenues because time doesn't scale well. "If you're in a service business think: Is there some way to sell a service or product that isn't time-oriented?" Products scale better than services.

In the second year Dyrand Systems experimented by hiring another marketing firm. Just as Trent learned that he could generate sales leads better than an outside consultant, he learned that when it comes to creating a key message, an outside marketer doesn't necessarily know the business as well as he does. "If you're in a business that has a lot of competitors, look at using different words to describe what you do. Different words help you get inside your customers' minds."

Sometimes it's best to share with your competitors. "In our business, we're trying to raise the bar," Trent said when describing how a CEO competitor spoke with him for eight hours, offering advice and support. It hurts the industry as a whole when someone offering a similar service makes a customer angry. "The business that I'm in has an immense future. We should be sharing best practices with one another."

Work "on" your business and work "in" your business

Trent distinguished between working *in* your business and working *on* your business. When you're working in your business, you sometimes lose sight of how to accomplish your goals. A great believer in Jim Collins's hedgehog theory (from the book "Good to Great"), Trent tries to look at all ideas in terms of passion, finance and success. New ideas and initiatives must fit within his own personal hedgehog model. "This is how we evaluate new projects. I don't like the spray-and-pray approach of doing business."

Other pieces of advice: Treat every employee like an owner, hire to your weaknesses, become more efficient, and build a team of good people for life. A self-proclaimed "information sponge," Trent spends a great deal of time reading business literature and asking other successful business people questions. To an entrepreneur, it's what you don't know that will kill you. "I'm a huge copy cat. I take other people's ideas and try to make them better."

Dyrand's firm did turn things around. Now profitable and on track to exceed one million dollars in sales, Trent reiterated that the best way to succeed in business is to be in business.

Immerse yourself in the business

When an audience member said that conditions are rarely ideal when starting a business, Trent seemed grateful for the comment. "I'm so glad you said that. I've been feeding you one big fat lie. The truth is I encourage you to get into business even if you have five cents. Until you immerse yourself in your business, you won't see the opportunities that will become your lucky breaks. When you're flying at 30,000 feet you don't see the things that will ultimately make you successful when you get right down in the trenches."

"I throw down the challenge. Just start! Get into business. Pick something, anything. Think about what you need to do, and do it. I love what I do, and I've learned more as an entrepreneur than I would studying for my MBA at UBC." He ended with Gerri Weitzman's quote: "Sometimes you gotta create what you want to be a part of." And that's probably the best lesson of all.

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