

Lesson PP 2

Setting Up Your Own Business

Up to this point we have talked quite a bit about what it would take to procure employment. We have not discussed the business aspects of owning an interior design firm because, as stated at the beginning, in some countries it is important to have experience working in the field first. The types of firms are numerous and it does take quite a lot of time and exploration to understand the type of business that will be right for you.

Beginning a business can be a complex issue. Business can take many forms from the most simple of Sole Tradership/Proprietorship to the most complex of a Corporation. There is also the temporary business of a Joint Venture that may need to be considered from time to time. There are pros and cons related to each type of business formed, so understanding each of them will be to your benefit. We will briefly identify various types of formations; however, a fuller understanding will take a good deal of reading and research. We will discuss Sole Tradership/Proprietorship in a little more detail because this is the set-up you are most likely to start with.

The following list briefly describes various interior design business formations in many countries. It is your responsibility, as the business owner, to understand all the implications affecting you. We will discuss the importance of consulting with professionals in various fields in order to appreciate fully what you need to understand.

- **Sole Tradership, or Sole Proprietorship** is the simplest form as well as the least expensive. The owner is entirely responsible for the business success or failure.
- **General Partnership** is similar to sole tradership/proprietorship with the exception that one works with a partner or partners. All partners are responsible for the business success or failure.
- **Limited Partnership** often involves a partner or partners who are not involved in running the business (sometimes known as silent partners). The financial responsibility is limited to the investment each partner makes.
- **Corporation** has stockholders who invest in the company as well as officers and directors who run the company. The stockholders are not responsible for the business success or failure: the officers and directors have that responsibility. The stockholders will be paid a portion of the profits. Those who run the corporation have responsibility to inform the stockholders as to success or failure, and to use their finances in a responsible manner.
- **Limited Liability Company** is similar to a partnership but with the limited liability that corporations enjoy.
- **Joint Venture** is where two firms come together to form a company temporarily. This may be to work on a specific project. Sometimes joint ventures will move forward to form a standalone partnership or corporation.

These formations all have their own positive and negative aspects. It may be appropriate to begin with one type of formation and to develop it into another as the business hopefully grows and prospers.

Thinking It Through

There are so many things to consider when you are thinking of starting your own business. Hopefully you have done your homework and you continue to meet people and learn about the pros and cons of a variety of business formations that may work, and you have eliminated the ones that will not work for you. One of the greatest considerations is how to finance the running of the firm. The first couple of years are often rocky, and money may be lost trying to get the company on firm ground, so it is very important to locate professional help in the areas of accounting and banking. You must also consider taking legal counsel from someone who is familiar with interior design firms, as well as getting help with liability insurance issues – a crucial area. Do not make these considerations lightly: find people you feel you can trust and who have experience in these areas. Already, you are spending money just to explore the possibilities!

One of the best ways to begin a business is to write a company *mission statement*. A mission statement is a very important first step because it will help to guide your company and keep it on track. Make sure the statement is

strong and try a few variations to see what may work best for you. Take your time with this step and explore the ways to write a good, strong mission statement.

Once the mission statement is written and says just what you wish it to say, begin to think about the specific values you hold and to commit them to paper. What values are important to address and to state for your company? These will help you not only to become clear about what is important, but along with the mission statement will help you to make decisions about projects to take and projects to decline. It is always important to know the projects that you need to decline as well as the ones to take on: there may come a time when this is a fine line. If the project is a well-paying one but not right for your company at the time, you may need to suggest another firm.

With the mission statement and the values written, you can design a plan to get you where you wish to go with the company, and to begin this process you must write a business plan. This may be something that becomes boring for the creative person, but it is important to have a document to show you where you stand and what you can afford, and to help you to understand the market you wish to tap. Each of these areas should be supported with a great deal of information.

The mission statement should help you to guide your image of the company. Most designers have an idea of the image they wish to portray, and designing an image is

a part of starting a business that should come naturally to the designer. In many cases you have probably thought for a long time about the name of your firm. The name you choose is very important as it not only says a great deal about you but also about the business you run. If, as a sole proprietor, you choose to use your own name as a business name, make sure that it speaks well of the work you do in the area in which you are working. Does your firm need a slogan, and what graphic image might reflect the work you are doing? These are the things that create the first impression in a client's mind. Try to see how they project themselves to the target market and ask various people their opinions.

With these matters dealt with and a good understanding of which approach to this new business will work best, you need to decide if it is financially viable and personally rewarding enough to move to the next step of legally filing a new business. If it is a sole tradership/proprietorship, the paperwork should be minimal.

Where to Work

Once you have made the decision about the type of firm you will set up, and you have the business and finances in place, you will need to have a place to work. Will you be able to work from a home office? Will you need warehouse space for storage of furniture and accessories for clients or if you have a retail space? Will an office space be important

for the image you wish to create, and how will that image work with your studio space? As usual, there are pros and cons to both of these considerations and quite possibly local planning regulations/zoning laws will govern some of these decisions.

If your plan is to deal in reselling, working from home may be a problem unless you live in an area that has planning permission, or is zoned, for multi-use. If clients and/or employees will be in and out of your home, traffic and parking may cause problems with your neighbours. If you are only providing services and do not have employees or will not be meeting people often in your office, then a home office might be right for you.

If you are going to be reselling merchandise or need to have a large visual presence in the area where your client base resides, then you must look for adequate office space. You will have to decide just how much space you will require, since you will be paying rent on every single square metre or foot. A design library alone takes quite a lot of space. Many of us are lucky enough to be able to use the internet to keep that type of inventory down, but you will still need space for storage of documents, plans, samples, materials used for presentations, etc. This field is material-intensive, and having room to support the sheer volume is an inescapable necessity. Being clear on the space you need and the space you do not need will save you money, and that is very important when you are beginning a new business.

Working from home has its own set of considerations. Are you a person who can work with other things going on around you? Will you have a space where you can retreat and have close to hand the items a design studio needs in order to perform daily tasks? Will you be able to have business phone conversations without background noises? Because you have come this far in your studies, the chances of you being able to make a home office work are high. However, consider carefully when the time comes to make a decision about the location of your studio, since it also has marketing implications.

Day to Day

Setting Up A System to Manage The Business

In most cases, running and managing a business is not a one-person position. Being able to make a living from being a sole proprietor without employees and/or consultants is rare. The business is difficult to grow and difficult to maintain. Furthermore, we are not all good at all aspects of running and managing a business, so knowing what your strengths and weaknesses are is critical when establishing your firm.

Planning a system of management is very important. This is very personal in nature and needs to be worked out thoroughly, with the due consideration given to the records

that must be kept from a design standpoint as well as from a business standpoint. Read and consult many resources to help with this aspect of setting up a business.

Managing Time

Time management is one of the greatest problems for any busy person, and that includes the interior designer. Being able to plan for others does not mean that you should not do the same for yourself. Clearly, planning time is a bit different from planning space, but as interior designers we always take into consideration the time that will be saved when a space is planned appropriately. The same will be true of your office. Finding methods that will work for you and your employees will be very important. There are many resources available to help you with this issue.

Not only is time management important when you are working or for the owner of the firm, but the student and employee can also gain a great deal of time when a good management system is in place. Things as simple as combining client meetings with other errands can save a great deal of time. Learn as much as you can about effective ways of managing your time as you move into the professional world.

Clients: Finding Them, Keeping Them and Having Them Return

Marketing (Encouraging The Client To Choose You)

Effectively marketing an interior design practice takes a great deal of time and a great deal of effort. Hopefully you have already evaluated the target market and know the places where people will be looking for design help. Marketing is not only advertising but writing articles, giving presentations to groups and educating the public. There are many forms of marketing and unless you have prior business experience it is advisable to consult with marketing professionals to evaluate the options available to you.

Choosing The Client

Finding your target market is sometimes second nature and other times it takes a considerable amount of work. Knowing who your clients might be and where you can find them is very important. Who are they and what are their interests? What do they read? Where do they have dinner and what social activities are important to them? How can you meet them? How can you help them? What do you have to say to them? You must consider all these questions and more when you are choosing clients.

You must also recognize that not all clients are right for you. Do you see signs that your ideals do not match? Do

they have expectations you cannot meet? Are they willing to work right alongside you or do they just want you to complete the project as they direct you? Do they wish you to meet any legal obligations or are they just looking for design services? You will need to learn to read what your future clients are looking for in a designer as much as what you are looking for in a client. There will quite likely be times when you will have to say, “This relationship is probably not going to get you the best project, so I recommend that you seek another designer”. You may recognize this before the project ever begins or you may learn later in the project that the relationship will not work. Either way, your honesty will be very important. Hopefully you will be able to direct this client to another designer who might help them. In most cases your client will be very grateful for your honesty – after all, you will be saving them money.

Working With Different People

As you can see, interior designers work very closely with all kinds of people. We cannot emphasize enough how important it is for you to be able to work with many types of people. You will be greatly enhancing your career and the success of your firm if you can work well with a broad range of personalities.

Making Sure The Client Is Satisfied

Any designer will tell you that a satisfied client will return to you for future help. This means not only giving you business with projects of their own but also free “word of mouth” recommendations that will bring you other clients. In any business, making sure that your client is satisfied with the service you provide and the work you do is the best policy. Many businesses have failed because the owners lost sight of the service or product they provided and set their sights on making money only. Every unhappy client will bring your business a bit of failure. Not every client will be satisfied, however hard you try, but the more satisfied clients you have the greater success you will enjoy.

This means excellent management skills on your part. Do not take on more projects than you can handle. This will only mean more dissatisfied clients. If your business is growing beyond the work you can do, it may be time to consider hiring employees. In the same vein, keeping employees satisfied will also mean a greater likelihood of satisfied clients. Think of how pleasurable it is to do business with pleasant employees. Think of the employees’ contacts who may also bring you more business. Excellent management skills, and understanding how to satisfy clients, will grow your business rather than deplete it. When clients and/or employees feel used by your firm, you will be the one who ultimately suffers with business failure.

The Proposal and Agreement

Talking About Fees

There are many ways to set up fee schedules and these vary not only from region to region and firm to firm but project to project, so we do not propose to suggest fee scales here. A clear understanding of how these fees are set up, and their respective pros and cons, will be of vital to you. Study your options and know where you stand in the market in which you work.

When you are first meeting with a client it is important to bring up the subject of fees early in the conversation. This gets this possibly sticky subject out of the way, and with that understanding the project can proceed.

Writing the Proposal

After you have read an RFP (request for proposal), or met a client and gathered information, it will soon be time to write a proposal. This proposes the scope of the services you will provide for the project as well as the way the fee structure will work. When the proposal is in response to an RFP there may be certain guidelines for writing that proposal. When the proposal is written without an RFP the design firm will often have a variety of standards they use for proposal writing. The small firm will often write it based on the individual client and project, while the larger firm