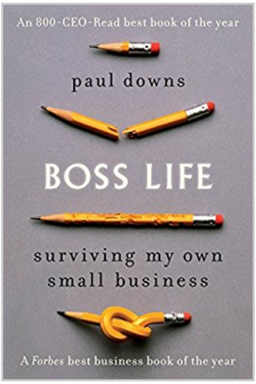

Boss Life: Surviving My Own Small Business

By Paul Downs

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****A Forbes Best Business Book of the Year, 2015****

Winner of the 2015 *800-CEO-READ Business Book Award in Entrepreneurship*

When columnist Paul Downs was approached by *The New York Times* to write for their “You’re the Boss” blog, he had been running his custom furniture business for twenty-four years strong. or mostly strong. Now, in his first book, Downs paints an honest portrait of a real business, with a real boss, a real set of employees, and the real challenges they face.

Fresh out of college in 1986, Downs opened his first business, a small company that builds custom furniture. In 1987, he hired his first employee. That’s when things got complicated. As his enterprise began to grow, he had to learn about management, cash flow, taxes, and so much more. But despite any obstacles, Downs always remained keenly aware that every small business, no matter the product it makes or the service it provides, starts with people. He writes with tremendous insight about hiring employees, providing motivation to get the best out of them, and the difficult decisions he’s made to let some of them go. Downs also looks outward, to his dealings with vendors and to providing each client with exemplary customer service from first sales pitch to final delivery. With honesty and conviction, he tells the true story behind building and sustaining a successful company in an ever-evolving economy, often airing his own failures and shortcomings to reveal the difficulties that arise from being a boss and a businessperson. Countless employees have told the story of their experience with managers—*Boss Life* tells the other side of that story.

From the Hardcover edition.

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Boss Life: Surviving My Own Small Business By Paul Downs Bibliography

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Editorial Review

Review
"A memoir—not a manual—about life as a small business owner, complete with honest reflections on failures and shortcomings."—***Forbes***

“In this eye-opening debut…Downs drills down into the ins and outs of running a small business, focusing on sales, operations, money, and the personal demands of being a boss….this frank accounting will be a godsend to any small-company owners wondering if they’re the only ones constantly second-guessing themselves—or on the verge of going out of business. An honest look at a usually overlooked demographic.”—***Publishers Weekly***

“[A] large-hearted memoir… Refreshingly absent of bulleted lists and sidebars, this is a welcome addition to the literature of business ownership.”—***Kirkus Reviews***

“[A] day-to-day, minute-to-minute tour of the intricacies of running a business, from dealing with employees to negotiating with vendors, the roller-coaster ride of sales, and the headaches of customer service. This is an invaluable look into operational details for anyone considering starting a business or caught up in the struggle of owning and running one.”—***Booklist***

“This book is ostensibly about a year in the life of a small business owner, but it is actually a fascinating peek behind the scenes of a small Pennsylvania furniture factory….The combination of a humorous, self-deprecating, jargon-free writing style and content that mixes business fundamentals (cash flow, salesmanship, HR issues) with day-to-day events on the shop floor makes for a truly immersive narrative….A great read for those who wish to understand what running a small factory or business entails, as well as anyone interested in woodworking and craftsmanship.”—***Library Journal***

"My husband and I own a small book store in Memphis, TN. I read a review of your new book somewhere, thought it sounded intriguing, got a copy in and started it a few days ago. Before I even finish it I think I want to thank you for writing it. FINALLY someone being totally honest about running a small (tiny) business! I have felt so much better in the past few days knowing that someone else has experienced the same things we have—no cash, employee struggles, family life and business life merging into each other, cars breaking down, etc. I think we are all hesitant to talk about the struggles because we might be perceived as failures. I plan to recommend this book to all small business people. "**—Cheryl Mesler, Burke's Book Store, Memphis TN**

About the Author
Paul Downs started making custom furniture in 1986, shortly after graduating from the University of Pennsylvania with a degree in engineering. Downs has only one line on his résumé but he has a wide variety of skills gained in twenty-four years of running his business. His clients range from individuals and small businesses to Fortune 500 companies, all branches of the military, and foreign governments. Downs lives with his wife and three sons outside of Philadelphia.

Preface

I’ve been living the boss life since 1986. I own a small company that builds custom furniture. I started fresh out of college, with no experience. Ever since, my business has been my life, my education, and my struggle.

When I began, I had no training as a businessman and no mentors to help me. I just wanted to make stuff and have fun. I found that I was good at designing products and making sales, and the business started to grow. In 1987, I hired my first employee, and soon found myself struggling with management, cash flow, taxes, and all the other details required to keep a business running. After globalization and the Internet brought new competition and new opportunity, my company experienced unsustainable growth and, in 2008, a devastating crash. But we’ve endured—and even had one very profitable year. I am a survivor, but not a financial success.

In 2010, by sheer luck, I was given the chance to write about my experiences in *The New York Times* for their “You’re the Boss” blog. I became a regular contributor. I’ve used that forum to describe the shabby treatment that business owners suffer at the hands of large and powerful institutions, in particular the health insurance and credit card industries. The main focus of my writing, though, has been my own company.

I decided to tell the difficult parts of my story, concentrating on my deficiencies as a businessman. I have written about fighting with my former partner, struggling with cash flow and unhappy customers, firing employees, and dealing with a rapidly changing economic landscape.

Many readers have written to tell me of their own struggles, and thanked me for publicly airing my many failures. Apparently a humble and honest look at small business life is rare. But I’ve found myself struggling with the limits of the blog format. Complex and sensitive situations must be oversimplified or omitted.

This book will be an opportunity to dig deeper into my experiences. It is an accurate portrait of a real business, the boss who leads it, the people who work in it, and the challenges we face. I hope that I can promote a better understanding of the factors that drive the behavior of small business owners and, by extension, show how a significant part of our economy functions. There’s a lot of chatter about “job creators” from people who have never created a job. Politicians make rules, but aren’t required to follow them. Employees complain without understanding why bosses act the way they do. And prospective entrepreneurs gamble their future without a clear picture of the challenges they will face. All these people need to know the other side of the story. This book is for them.

Some disclaimers: the world of woodshops is almost entirely a male domain. I don’t know why this is, other than tradition. I have hired women whenever I found one who was qualified, but they are a very small percentage of the total workforce. In order to simplify the language of this book, I use the male form of certain common nouns, “craftsmen” and “salesmen” in particular. Please do not take this as a denigration of women who perform those roles.

The names of some people and customers have been changed, and the quoted dialogue is my best recollection of what was said at the time. That said, all the events in the book happened. If this account offends anyone, my apologies in advance.

Introduction

If this were a standard business book, I would tell you all the smart things I did to achieve financial success, and maybe trot out a few mistakes to show some humility. Unfortunately, I’m no business genius and I’m not rich. My story has neither tidy conclusions nor a triumphant ending. So this book will be different.

I'd like to tell you what happened to my company in 2012, as we struggled to replicate profits earned in the previous year. We started strong, but then sales took a puzzling turn for the worse. The vast majority of our clients were delighted with our work, but a couple of them weren't satisfied with reasonable efforts and cost us huge amounts of money. I presided over a very good crew, except for a couple of workers who gave me serious trouble. We made some money, then lost a whole lot more, then clawed most of it back. Meanwhile, my complicated family life couldn't be ignored. This is real life. The triumph and tragedy of small business. The uncertainty and challenges of being the boss.

What do I mean by "boss"? It's commonly understood to mean someone who's in charge of others, but that could be a middle manager in a big corporation. Instead, I'm talking about bosses who both own and run their businesses—small companies with fewer than twenty employees. More than seven million American businesses, employing nearly thirty million people, are in this category. These bosses answer to nobody and are responsible for everybody. Their own money is at risk. Every problem goes straight to them, and they have to come up with the solution, figure out how to pay for it, and then implement it. The position guarantees long hours, hard work, and overwhelming stress.

Every day, these bosses wear multiple hats: managing employees, keeping track of the money, dealing with bureaucrats, negotiating with the landlord—the list goes on and on. Larger companies, with more resources, can hire individuals or create whole departments to do these jobs, but a small company can't generate enough cash to cover that expense. So these tasks land in the boss's lap. No matter that the boss may have little or no training, and no desire to spend time on them. Done wrong, the company fails, either slowly or quickly. Done right, the boss gets to do them again. A sudden crisis—a cash shortage, or an equipment breakdown, or a personnel crisis—requires even greater effort. Even if the business survives, there is never a guarantee of easy sailing ahead. The situation goes back only to the routine level of toil and stress.

That's not to say that being the boss is relentlessly terrible. Inventing the processes that enable successful operations is like solving an intricate puzzle. It's highly satisfying to see your business running well, delivering the product or service that inspired its creation. There is no thrill like receiving payment from a satisfied client. Most workers try hard to do a good job, and most people are good to work with. Consistently meeting a payroll is a real accomplishment. A business can provide for the security and growth of both boss and employees. It might be able to expand and enter markets all over the world. It might even make a healthy profit. The boss can take delight in each small victory and, over the course of a career, be proud of all that has been accomplished, whether it added up to fabulous wealth or not.

Every business has a dual nature: the real-life version with its countless imperfections, and the ideal theoretical business the boss imagined when he started, where everything works as it should and money is made. Good money. Steady money. Maybe even outrageous money.

Money is the unavoidable scorecard. Any business can be great at making a product, great with its employees, great with the customers, but if it doesn't make profits, it isn't considered a success.

While recounting the events of 2012, I'll concentrate on four subjects: *Sales* focuses on how my very small company interacts with a wide variety of clients, from enormous institutions to individuals. *Operations* is about how my company makes its products, how I manage the people I employ, and my attempts to move our workshop from a nineteenth-century model to the twenty-first-century version. This transition is an incredibly complex problem and the solutions we find (or fail to find) have implications for the whole economy. The third theme, *Money*, describes how cash flow, or lack thereof, affects my decision making. And finally, I'll describe how I exercise my *Powers as boss*, balancing those demands with my duties as a father and husband. The details of this story are particular to my company and my life. The lessons, I hope, are useful to everyone.

The shop floor from the southeast corner.

The Company S table on the shop floor for final inspection.

The Downs family: Hugh, Paul, Henry, Peter, and Nancy.

Paul Downs with a set of chairs he made in 2013.

The table that started it all, built in 1999.

Paul on a shop walk, inspecting the base of a scissoring table.

JANUARY

DATE: MONDAY, JANUARY 2, 2012

STARTING BANK BALANCE: $137,154.32

CASH RELATIVE TO START OF YEAR (“NET CASH”): $0

NEW-CONTRACT VALUE, YEAR-TO-DATE: $0

Nine a.m., January 2. Paul Downs Cabinetmakers, custom boardroom table maker, starts its twenty-sixth year with a meeting. We are on the fourth floor of an old factory in Bridgeport, Pennsylvania. I stand at a battered table, returned to us for storage when our client, a New York bank, downsized in 2008. Thirteen sleepy workers, sitting, wait for me to speak.

We meet every week at this time. The usual agenda is a review of our progress toward meeting monthly and yearly sales goals, a review of projects in progress, and a report on our cash reserves. I’ll get to all that, but start with a surprise: good news—2011 has ended on a high note. We have a record amount of cash on hand and a full order book to take us through the next two months. I confidently state that we have achieved success at last. The business has finally done more than build tables. It has also made good money.

Two years ago, as 2010 began, I was not so confident. A decade of my incompetent stewardship, capped by two brutal years of recession, had left the company at death’s door. We had shrunk from twenty-three employees to six, and I had just $16,239 in the bank—enough to operate for three days. A small business lives or dies on cash. It is the fuel that pays the rent, buys the materials, funds the ads, and makes the payroll.

If I ran out, the shop, the tools, the Web site, the trained employees, the catalogue of designs: all would sit idle. The business would be dead.

I desperately needed clients with cash in hand. This is the perennial cry of the incompetent boss—if we just had more sales, everything would be great! But for me it was true. Before 2008, I had been very bad at cash management. Then, as the world slid into recession, buyers disappeared. My partner and I fought about the money we had left, and one night he took our cash reserves and paid down our line of credit. Eighty-eight thousand dollars of the $105,000 I had on hand was gone. I immediately laid off half my people. With a shrinking order book, a demoralized workforce, and a hundred thousand dollars in past-due bills, I had one question: how soon would I have to shut the doors? QuickBooks couldn't tell me, so I wrote a spreadsheet that gave me a running bank balance, taking into account all income and expenses, for as far forward as I cared to look. I could move transactions from one day to another to see how delaying or accelerating payments affected my bank balance. As long as it never went below zero, I was in business. My sheet was a new way to see my cash situation. Unfortunately, it showed that I'd go broke in three weeks.

I barely survived the terrible year 2009. Customers purchase our product, custom conference tables, when a business moves or expands. As 2008 ended, we still got a few orders from projects initiated before the crash, but sales volume soon took a huge drop. I took any job I could find, but I had to lay off five of my eleven remaining employees. I cut all my workers' pay by 15 percent and set my own salary at just $36,000 a year. I rarely had more than a week's worth of cash on hand. The stress of wondering whether I would have to close the doors was relentless. I experienced shooting chest pains and sleepless nights. But I never quite failed. By juggling incoming and outgoing payments, I managed to pay off my vendors and survive to see another year. The year 2010 started with no relief—in January, I came within a day of running out of money. But in February, buyers started calling. By March 2010, with orders appearing at a sustainable rate, I was able to restore everyone's pay to previous levels and rehire some laid-off workers. By year's end, I had ten employees and a bank balance of $106,777.

The favorable trend continued in 2011. I added more people and completed more jobs. At the end of the year, we got a large order that generated a huge payment. Our bank balance topped out at $303,834, and I was able to distribute big bonuses to my workers and to myself, totaling $166,680. I was a happy man. I had survived the worst of the recession and learned how to manage cash flow. In three years, I had gone from nearly bankrupt to reasonably secure, paid off a pile of vendor debt, and was looking forward to further growth in 2012.

Does compressing three years of disaster and regeneration into dollars communicate what it was like? Do those numbers really depict my own stress, my workers' fear for their jobs, and my debtors' doubts that I would pay them back? Definitely not. But those balances are an objective measure of the success or failure of a business. In the end it has to be about the money. Numbers don't lie.

Back to my meeting. On this day I have $137,154 on hand, but my other numbers get reset. Inquiries, sales, profits: all zero. Every year I start from scratch, worrying that this time the phone won't ring, orders will stop, and my cash will dry up. I don't believe that the things we do to generate sales will suddenly stop working, but I've been through bad times and it's hard to have faith in the future.

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THE NUMBERS THAT TRACK our expenses also start at zero, but increase with every passing minute. Rent, electricity, and equipment leases never stop. Payroll and material costs start the instant someone shows up to work. It all adds up. Operating the shop, including pay for fifteen workers and a decent salary for myself, costs about $9,000 a day.

We generate cash to cover those costs in two ways: write new orders, or ship product. Our usual terms are to get half of the money on order placement, 35 percent before we ship, and 15 percent within ten days of delivery. If we sell and produce at a steady pace, we receive many payments each week. Our goal is to take in more than we spend, but every table we make generates significant costs. So even when things go smoothly on the shop floor, most of our cash is paid out to cover the rent, materials, payroll, and other expenses. Our plan is to have a little bit left over and to steadily accumulate that surplus over the course of the year. This is known as “positive cash flow.”

You might assume that that is the same thing as profits. Not so. You can have positive cash flow without profits, and profits without positive cash flow. How? Profit, for a manufacturer, is a technical term that describes a particular situation: when the value of product shipped exceeds the costs incurred during a given time period. “Sales” does not mean what you think it does, either. Again, the accounting definition, as it applies to a factory like mine, is that a sale occurs when finished product is delivered to the client. That thing where the client signed our quote and gave us a big deposit? Not a sale. As far as our accountant is concerned, the client just loaned us some cash, which we can repay by delivering a finished table. When it arrives, the deposit and preship payments become ours to keep, the value of the table is added to our income statement as a sale, and any amounts outstanding are added to our list of assets, even though we don’t have them in hand and can’t use them to cover expenses.

You can have profits without positive cash flow: we might make and ship tables and pay for the costs of production, but not get paid by the client. If our costs are lower than the value of delivered product for a given period, we are making a profit, even though we don’t have the money in hand. Without cash on hand to buy materials and pay the workers, operations will eventually stop. Moral of story: get paid. Profits don’t mean much otherwise.

And positive cash flow without profit? If we ink a bunch of deals, we might suddenly get a lot of deposit payments. During that same time, our factory may not be operating efficiently, and the costs of making goods might exceed the value of the products we deliver. We have cash, but we aren’t making profits. This can easily happen if a company has effective marketing but poorly managed production. This is how I operated for many years. We were growing a little faster than we were failing. Money from new clients compensated for the losses incurred as we produced furniture for the old clients. Everyone got the product they ordered, but hiccups in sales resulted in cash shortfalls, and I had to dip into my own pocket to cover expenses.

There’s a third way to bring in cash: borrow it. Income, raised by whatever means, counts in cash-flow calculations. The problem with borrowed money is that eventually it needs to be paid back. Or not, if you can find a fool to lend to you. In my own company, that fool would be me. When I covered cash shortfalls from my own savings, as I often did, I was loaning money to the company. I always intended to pay myself back right away, but the bad management that got me into trouble in the first place prevented me from making sufficient profits for a payback. Over the course of twenty-six years, I have loaned Paul Downs Cabinetmakers $508,774 and managed to pay back $121,676. I am still owed $387,098. Am I a rich man who has half a million lying around to keep my company going? No. The money came out of the company to me as salary and went back in as loans, over and over. Not very smart, as every dollar that took this trip was subject to payroll taxes as it went out of the company.

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I AIM TO HAVE positive cash flow at all times. Unfortunately, it doesn’t happen that way. We have a regular rhythm to our expenses: rent at the beginning of the month, payroll every other Tuesday, two credit card due dates, and the ongoing purchases of materials and other items. Income is much more erratic. Some days we get lots of cash; some days we get nothing. This is why I want to have a healthy bank balance: to cover the days or weeks when cash flow is negative. The $137,154 that I start the year with is fifteen days of working capital. I can use it to pay bills and make payroll. If I want to, I can spend some of it on projects that might enhance the business, like more advertising or a new machine. But if we spend $9,000 a day, a conservative estimate, I have three weeks to figure out what to do if the money stops coming in.

I already know what to do: sign new contracts, ship finished product. The magic number for 2012 is $200,000. That’s my monthly target for both incoming orders and outgoing shipments. This will produce a steady cash flow of $200,000 a month. If expenses are at $9,000 per day, and the work year consists of 250 workdays, we will have positive cash flow of $150,000 over the course of the year.

Sell $200,000, ship $200,000. We will have to build a lot of tables. Not a trivial task—far beyond the capabilities of any one person. In small woodshops, a ratio of employees to sales of $120,000 per worker is good, $150,000 per worker is excellent. I have fourteen people to meet a goal of $2,400,000, which means output of $171,428 per worker in the next year. We will need to be very efficient.

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WHAT WILL WE DO to meet that goal? You might picture everyone at a workbench, cutting wood. But building the tables is only one step in our process. A manufacturing business must perform six major functions to stay alive: Design, Marketing, Production, Logistics, Warranty Service, and Administration. *Design* operates at both the conceptual level, which in my case is the decision to make furniture, and at the individual level, which is the specific design of each table we make. *Marketing* attracts paying customers to your door by describing to the world the goods that you have available. It includes sales. *Production* is the actual making of the product, including setup of the factory, acquisition of materials, hiring and management of labor, and design of the work processes that lead to finished goods. *Logistics* is the process of moving your finished goods to the customer: packaging, shipping, and installation. *Warranty Service*, which might be considered a form of Marketing or Production, is in my mind a separate function. It consists of responding to customer issues and communicating them back up the function chain to improve the overall performance of the organization. *Administration* keeps track of all the other functions, and includes bookkeeping, accounting, dealing with government regulations, and human resource duties.

Note that the six functions are all connected, not just in a linear progression but also through feedback loops from one function to each of the others. For instance, Design must respond to the expectations of potential customers (Marketing), to the capabilities of the factory (Production), to the problem of shipping and delivery (Logistics), and to issues encountered in the real world (Warranty). Changing the nature and capacity of one function has implications for the entire operation.

It is entirely possible to break out any of these functions and have them performed by others. This is called “outsourcing,” and it often makes perfect sense. If you are not competent at one of the functions, hire someone who is. Managing that vendor takes money and time and drastically interferes with effective feedback loops. But it allows access to expertise that can be very difficult to develop in-house. Note, also, that in an extremely small company, one person can perform all these functions, and probably will when the company is starting up. In that case, the feedback loops are instant and so continual that their existence might not even be noticed. This can be good or bad, depending on whether the feedback loops lead to changes in behavior.

It is worth mentioning the difference between a hobby and a real business. It is commonly believed that it’s easy to step from one to the other, but that underestimates the difficulty of establishing all six functions. A hobbyist needs to perform only two: Design and Production. Marketing is not required, as the client is the hobbyist. Logistics might be an issue, but usually a trivial one, as the item is produced very close to where it will be used. Warranty issues are easily handled—there is no paying customer, and the hobbyist's response will depend on how he feels at the moment. Administration is insignificant. Being a hobbyist is much, much simpler than being a business. There are far fewer problems to solve, and almost all the time and effort can be spent on the fun stuff.

My constant challenge has been to perform all six functions competently using the limited resources of a small company. In 1986, I had a desire to make furniture but no experience. Of necessity, I first mastered Design and Production, working alone as I taught myself my trade. Eventually I learned to perform all six functions, some just well enough to stay in business. Production has been the pipeline through which new people enter the company. I hire people to work at the bench, and move some into other jobs.

At the beginning of 2012, we have thirteen full-time employees, a part-time bookkeeper, and one temporary worker. Six of us work in the office: myself; Emma Watson, the admin; Dan Smolen and Nick Rothman, who, along with me, are the sales force; Andy Stahl, the engineer; and Pam Potter, the bookkeeper. Nine work on the shop floor building tables: Steve Maturin, shop foreman, accompanied by Ron Dedrick; Sean Slovinski, Tyler Powell, Will Krieger, and Eduardo Lopez, cabinetmakers; Dave Violi, who does the finishing; Bob Foote, our shipping manager; and Jésus Moreno, the temporary worker.

With the exception of Emma and Jésus, all my workers are craftsmen who have worked in shops for years. Woodworkers have a calm and quietly confident demeanor, grounded in their ability to build things well and quickly. The best ones have what I call "good hands": they can make things without undue fuss, at high speed, without sacrificing quality. They can visualize how to break a complex project into discrete steps, recover when things go wrong, and always keep moving toward the final goal. In my experience, this talent is very rare. At the same time, it is present in every culture. In any group of humans, some have a special ability to manipulate materials to produce useful things. A few craftsmen have done spectacular work that ends up in museums. But most make ordinary items that serve their purpose and then are discarded. That is the kind of work we produce, the kind of workers we are: not in it for fame and fortune. The opportunity to make good things is a satisfaction in itself.

Building things out of wood is a cumulative process. You need each step to go well before you can move on to the next. Lots of things can go wrong: difficult wood, malfunctioning machines, and mistakes in design or construction. Error, in the form of small deviations from specifications, accumulates as a piece passes through production. At the same time, clients expect us to deliver what the salesman sold them. Bench workers can't change the design.

Given the need to manage small errors and the occasional disaster, my workers place great value in predictability. They are masters of execution. Their special skill is understanding the nature of the material they work with, the exact behavior of the tools they use, and the precise execution of production processes. They want each step to succeed. They understand that we get paid only once for a table, even if things go wrong on the shop floor and we end up remaking it. So they are suspicious of innovation, whether it is a new design, material, machine, or process. "New" often means "unreliable," so they are inherently conservative.

Unfortunately, new marketing methods, technologies, and competition arrive every day. Buyers will order from the company that offers the coolest products at the lowest price. We need to be creative, to be on constant lookout for better ways to do things, or we will be out of business. So one of my biggest challenges is how to be innovative when my company is composed of non-innovators.

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BEFORE THE MONDAY MEETING became a weekly event, in 2010, I'd never established any formal, regular communication with my employees. For more than twenty-three years, my preferred method of finding out what was happening was to walk around the shop a couple of times a day. Our shop is very large—the main room is more than twenty thousand square feet. It's noisy, filled with machinery, workbenches, wood, and partially finished projects. The six people out there are often far away from one another, so instructions given to one person don't necessarily make their way to everyone else. Problems that I thought had been solved kept popping up in another corner of the shop. I finally figured out that it would be a good idea to gather in a quiet place once a week. Hence the Monday meeting.

I always open with new orders we've received. Then I review our cash position—how much money came in and out last week, how much we expect this week—and predict the week's closing cash position relative to our balance at the beginning of the year, a number that I call "Net Cash." I ask whether anyone has any production issues: broken machines, experimental techniques that either failed or succeeded, and anything else. I've made it clear that the point of these discussions is to solve problems, not to punish anyone. If we discuss something, it tends to be very dispassionate and technical. They aren't a chatty bunch. This fifteen- to twenty-minute meeting is the one fixed point in my week. So what keeps me busy? Making sales.

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SALES IS A SUBSET of Marketing, but it's critical to the success of the company. It's the step that connects us to customers, who are a part of all six functions of the business. Design determines what we make for the customer; Marketing tells the customer that we have something for them to buy; Production makes what the customer ordered; Logistics moves the finished goods to the customer; Administration makes sure that the customer's order is defined and completed correctly; and Warranty Service takes care of any customer complaints. Customer, customer, customer. The people at the other end of every deal we make, their desires and needs, direct every part of the operation.

When I opened my doors, I had never sold anything in my life. It was a struggle just to meet a potential customer, let alone close a deal. Since opportunities were scarce, I formed a strategy that we still use today: listen to the client, identify their needs, and design a product to suit. In this way, I avoided a mismatch between what I was offering and what the client was looking for. Unfortunately, my early customers wanted a very wide range of items, many requiring specialized manufacturing capabilities that I didn't have. So I modified my strategy: I would design products that I could produce in my own humble shop and customize them to suit buyers' needs. The subsequent modified design could form the basis for new offerings. I would steadily expand my catalogue, guided by customer requests and financed by them as well.

As it turned out, I had the personality and design skills required to make this work. (Not a given: many fine craftsmen can't design or sell.) Nowadays we have wonderful tools—digital photography, Web sites, cheap modeling software, and e-mail—that empower small companies like mine to communicate our ideas at very low cost. We can inspire the confidence that is required for customers to write us a large check. Back when I started, though, none of that existed. I'm still amazed that anyone bought from me. But they did, and here I am.

In the early years, I built all the work myself, but after my first hires I concentrated on Design, Marketing, and Sales. In 1992, I abandoned the bench for good. My company was small then, but growing steadily. Fortunately, tools to increase my productivity were appearing. I stopped drawing with pencils and started using a computer in 1997. I discovered e-mail and digital photography in 1999. I put up my first Web site in 2000. In 2003, we started getting clients who found us using Google, and in 2004, started our Google AdWords campaign, which greatly expanded our marketing reach. In 2006, we started using SketchUp, a 3-D modeling program that allowed us to show potential clients exactly what we would build for them. All this made our sales process more efficient and effective, leading to significant sales growth. Until 2007, I was the sole salesperson. In 2007 and 2008, I hired an outside salesman, who concentrated on the New York market. He had a nice run until that business dried up in the fall of 2008. Then he left, and I was alone with the job for the next two years.

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SELLING OUR WORK takes a lot of time: fielding inquiries; writing proposals; closing deals; and managing jobs through the factory to make sure that they are built as promised. Each transaction is highly customized and of significant dollar value. Our average order in 2011 was more than thirteen thousand dollars.

To increase efficiency, I developed a standard work flow. This involves analyzing a client’s situation and then sending a detailed proposal, including plans and elevations of the table, a virtual model of the design, and pricing. This method has worked well and has a satisfying rhythm to it. It’s just like building furniture: a defined process that can be executed as a series of discrete, repeatable steps.

I can turn a simple proposal around in three hours. A complex job might take a couple of days. I believe that a complete proposal, delivered very quickly, is an impressive example of our custom design and engineering capabilities. This seems to work. If what we offer is the client’s best choice, they place the order. If not, then they don’t. I’ve always been too busy with incoming inquiries to spend time following up on sent proposals.

In early 2010, after two slow years, the number of incoming calls picked up considerably. I was desperate to close deals, so every caller, no matter how unpromising, got an absolutely fabulous proposal within twenty-four hours. I worked some very, very long days and ended up with a wicked case of carpal tunnel syndrome. Our order book started to fill up, but the pain in my wrists was so bad that I could no longer respond to every call. In May 2010, I decided that it was time to make a risky move: transfer one of my people from the workbench into the office to help me with sales. I didn’t think that I could find someone outside the company who understood our production methods. I had to promote from within.

This had the potential to go badly wrong. Removing an efficient worker from the shop floor would mean losing some of our production capacity. Our cash flow and profits would take a big hit. I would need to train the new person, so there would be a period when we’d send out fewer proposals and close fewer deals. In the end, the effort might fail. Perfectly good clients might be lost to bad sales technique, and I would have to send a discouraged worker back to the bench. But I could not continue as the lone salesman—it was ruining my health.

I had someone in mind. Nick Rothman had been working for me for eleven years. He has great bench skills and regularly found ways to improve our process. He has a spark to him and is very easy to talk to. This is unusual for a talented woodworker; most are quiet, reflective types. Nick had worked with some of our software, so I knew that he could handle a computer. He had also told me that he would do whatever it took to help the organization succeed and had expressed a desire to move ahead in the company. In May 2010, I announced to Nick: “You are now a salesman.” I didn’t think about how this might change his view of his work and himself. Being a craftsman is one thing; being a salesman is quite a different job. I now know that he had hoped for an engineering job, and his view of sales was stereotypically negative: salesmen are oily manipulators who trick people into parting with their hard-earned money. He didn’t consider that the sales I made were the source of all the company’s money, and, by extension, every dollar that he had ever earned. Despite his qualms, Nick agreed to make the switch. Next I had to consider how I would teach him our process. At the time, there were just two people in our office—my engineer, Andy Stahl, and me.

The office is quite large: six thousand square feet, with one central space and nine smaller offices up against the windows. It has fourteen-foot ceilings and exposed pipes. But it’s not a sexy, TV-style industrial space.

It’s decrepit, messy, blazing hot in the summer and freezing in the winter. The walls are unpainted drywall; the bare concrete floor is still stained with glue left behind when we stripped off the hideous carpet in 2007.

Andy and I had chosen windowed offices at opposite ends of the room. The privacy was nice, but it made for very poor communication between both of us and the rest of the company. The office is at one end of our building. The workbenches on the shop floor are almost three hundred feet away. I had long known that this arrangement was inefficient and led to misunderstandings, but had done nothing about it. Now I rethought the problem. Should I let Nick choose his own office? Much of what he needed to learn was very subtle, like how to talk to a customer and provide instant design feedback. So I decided that the best way for him to learn was to put him right next to me, in my office.

Having had my own space for more than twenty years, I was keenly aware of the freedom I was giving up. No more loud music. On hot days, I’d been in the habit of working with no shirt on and a wet handkerchief on my head. On cold days, I’d sit swathed in blankets. Sometimes I would yell and scream in frustration, or sit staring out the window. I keep a BB gun to shoot the starlings that get into the shop, and when everyone else went home, I liked to take target practice in the main space. When I was tired, I took a nap on the floor.

Now Nick was sitting three feet from me. And I found that I enjoyed the company. My daily struggle to make sales had been out of sight of the rest of the company. I often felt that I was killing myself for an indifferent audience. I had the impression that the workers saw their paychecks as theirs by right, that the money just magically appeared. Now Nick was getting a firsthand look at my job and all it entailed. For the first time ever, I was explaining to one of my employees all the ways that the company interacted with the outside world. I started teaching him what I knew about design and sales and found that we both enjoyed it.

Nick is a good student—interested, enthusiastic, willing to ask questions, and able to take his new knowledge and come up with further innovations. I was surprised to find that he is dyslexic. This was never an impediment when he worked on the shop floor, but it was an issue in sales.

Written communication is a very important part of our process. We do some of our work on the phone, but most of the follow-up is done with e-mail. I am a competent writer. Nick was not. I started cc’ing him on every e-mail, so he could see my style. He cut and pasted, built a library of answers to common questions, and eventually got much better.

It took three months of shoulder-to-shoulder training before I gave him his own customer, and another month to close his first sale. Once he got comfortable with the idea of selling, he proved to be a steady producer. He was good on the phone with clients. He mastered all the software and learned how to put together an attractive proposal. He realized that there was no trickery involved—that people buy our product only because they want it. And by bringing his shop-floor experience into his own work, he proved to be an imaginative designer, with a lot of good ideas that I hadn’t thought of.

By the spring of 2011, Nick and I were selling at about the same rate and I began thinking of hiring another salesman. There’s a pleasure in closing a deal and getting the money, but after twenty-five years of sales, I was tired. I wanted to ease myself out of that job in order to concentrate on improving the company in other ways.

But I would not find my next salesman on the shop floor. None of my other employees were good candidates. Out of the blue I got a call from someone who might be a solution to my problem. Dan Smolen had worked in shops in Colorado for years, eventually moving from the bench to management. He was relocating to Philadelphia to be closer to his wife’s family. He was calling around, looking for a project manager position. Common in the construction industry, this job involves shepherding a project through production, delivery, and punch-list completion. Dan was used to dealing with clients, although not as a salesman. He has a typical shop-guy demeanor—calm, careful, and competent.

Dan’s references checked out and I interviewed him a couple of weeks later. I told him that I needed a salesman who could design projects as well. He told me that it sounded like an interesting challenge and that he’d give it a try.

The offer I made Dan conforms to a pattern I have followed over the years—hire the first person I can find who might possibly be able to do the job. I’m particularly inclined to favor people who show up unbidden and announce that they want to work for me. A number of my best workers, including Nick; my engineer, Andy Stahl; and my shipping manager, Bob Foote, came to me this way. I have found placing want ads to be discouraging. I have to conduct the entire process myself: write the ads and place them, field phone calls, read résumés, do follow-ups, interview, and make the final decision. Technology has eased some of that, particularly writing and placing ads, but the rest can’t be automated, and it takes a lot of time.

Furthermore, in the trades, the whole résumé/interview thing is not a very useful predictor of skills. Good craftsmen are generally not big talkers. Interviews don’t tell me much about how well a worker might perform. Putting a candidate out on the shop floor for a tryout also presents difficulties. The guys out there are very busy. Who will spend a couple of days with a new person? And what would he work on? I don’t want untested workers making anything that customers have paid for. And I can’t run the risk of someone getting hurt, or one of our machines being damaged because of an inexperienced operator. My solution was to pick one of the candidates, make the hire, and hope for the best. And, predictably, it did not work out well. Not only was the initial choice a crapshoot, but what happened next was worse.

We don’t really have a training program to bring new people up to speed. Steve Maturin, the shop foreman, is in charge of integrating new hires. He’s a superb craftsman but not a people person. His method is simple: put the new guy at a bench, give him some work, show him how to do it, just once. If that lesson does not sink in, the guy sucks and is not worth further effort. Steve will do his best to find work for him to do, but he does not run a school. If the newbie is smart, he will observe work being done, ask the other workers, and get the information he needs. If talented, he’ll be able to build at a high level. If he is not so talented, or not such a fast learner, he’ll flounder until I notice the problem and fire him. As you might imagine, with such a bad process, we have trouble finding new workers.

Before I hired Dan Smolen, all new employees started on the shop floor. I believed that the foundation of success at Paul Downs Cabinetmakers was the ability to build furniture. I considered starting Dan in the shop for a few weeks to give him a sense of how we made our product, but decided against it. I needed him to learn my methods as soon as possible. Whether he was great with a sander or could splice veneer was not relevant. I decided to put him through the same process as Nick: set his desk next to mine and let him see what I did all day.

I had also hired an administrative assistant, Emma Watson, who also needed training. It was time to put everyone together. We replaced a wall between two empty offices with a sliding patio door and moved five desks into that space. Nick and Andy are on one side of the door; Emma, Dan, and I are on the other. If the door is open, we can easily speak to one another. If the door is closed, we can carry on two phone conversations simultaneously. Nobody has any privacy, but we have other offices if we want that. Andy, like me, found that sharing space is energizing and makes communications much easier. He is the link between the sales operation and the shop floor, and being in constant touch with the salespeople facilitated that part of his workload.

Dan started in May 2011. He quickly learned to use our software but had a tougher time when on the phone with clients. It is difficult to think and speak on the fly, to provide instant answers to highly technical questions, even when one is very familiar with the subject. And Dan was still learning about conference tables: what sizes work in which rooms, which configurations work best for which situations, which woods look good together, how to integrate wiring. If he could survive the initial conversation, though, he did OK. His written communications and design ideas were good. He made his first sale in July 2011. By the end of the year, he had closed sixteen deals, worth $270,870. As a comparison, Nick wrote fifty-one orders for $972,601; I did forty-eight, totaling $887,356.

The record for booking orders is held by me, as you might expect. In 2006, I closed 101 deals, worth $1,570,954. I accomplished this along with all my other duties running the company. At the end of 2011, it looked like my record would not be threatened any time soon. Both Nick and Dan could sell, but they were streaky. There would be a week or two when one or the other would be crowing about his successes, and then weeks when nothing came in. I could not tell whether the pattern was something they were doing or whether it was baked into our business model.

We get calls from all kinds of potential clients, and the resulting orders vary in size by a factor of ten, from a couple thousand to hundreds of thousands of dollars. Some callers need fast shipment, and some can wait months or years. So it is not surprising that the timing of orders varies. I had experienced sales streaks myself, but Dan’s and Nick’s dry patches were more frequent and longer than any of mine. Was it due to some failure on their part? Or was it just chance? And yet, I pay those guys every two weeks whether they sell or not. When I moved Nick from the bench to sales, his biggest fear was that his income would go down. So I offered him a salary that was equivalent to what he had earned as an hourly worker: $62,000 a year. He would also get an additional 2 percent commission on any orders he booked. I gave Dan the same deal. A lot of bosses put their salesmen on 100 percent commission and let them sink or swim. I am not so hard-hearted. Selling is tough. I have been subject to its roller-coaster ride for twenty-five years, and I want to do what I can to shield my people from it. So I wimped out and gave both of them most of their pay as salary, with the opportunity to make another twenty thousand dollars if they got to a million in sales.

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THE FIRST MONDAY of 2012 was just like every other Monday. After the meeting, everyone scattered to their work stations. Six on the shop floor, cutting wood and making furniture. One in the finishing room, putting a smooth and gleaming coating on raw wood. Two packing finished work for shipment, with pauses to clean the shop. For the shop guys, each day is much like the others. The projects change, but they are always in the same shop, with the same machines, cutting up the same material, and working alongside the same people.

In the office, it’s entirely different. The six of us live the triumphs and tragedies of sales. My mood closely tracks the frequency of inquiries and the arrival of orders. In the first week of January, we get fourteen calls and e-mails, an improvement on 2011’s average of twelve per week, but no orders come in. The second week, inquiries remain strong: seventeen strangers reach out to us, each a potential buyer. Still no sales. Now I am starting to worry. Two weeks without a deal isn’t unheard of, but as the dry patch lengthens, my discomfort rises. I relive the agonies of days without work, without money. Thankfully, on the morning of Friday the 13th, Nick closes the first deal of the year: an order worth $16,940 to a housing developer in Baltimore. That same afternoon, he chalks up $8,038 for a table inlaid with the purchaser’s initials. In the next week, Nick books four more orders, worth $123,986. In the last week of January, he sells three more, worth $25,041. His total for the month is $174,005, a fantastic start to his year.

We will not make our goal of $200,000 in sales, though, because Dan has not sold anything. In fact, he hasn’t made a sale since before Christmas. I could also blame myself for not closing any deals, but I hired a second salesman so I could get out of that game. I still pick up the phone when it rings, and if it is a sales call, I talk to the client, do the initial consultation, then pass the job to Dan or Nick. I want to take the lead on certain kinds of jobs, especially when there is the potential for a very large order. I don't trust either Nick or Dan that much, yet. But I send them the bread-and-butter jobs, the ones that might yield from five to twenty thousand dollars.

On the last day of January, a Tuesday, just as I am seriously considering whether hiring Dan has been a mistake, one of his clients pulls the trigger. He closes a deal with a telecommunications firm in Maryland for $18,694. We finish the month with new orders worth $193,602. Not quite my $200,000 goal, but pretty close. And Nick's hot streak continues into the new month, with a $23,327 sale on the third. Our total for new orders as of Monday, February 6, is $216,929. Nick has sold $197,332. Dan has sold $18,694. I took a $903 order for some replacement parts. I'm happy, and I'm unhappy. One of my salesmen is killing, the other is dying. I know that I can step into Dan's shoes on any day, do a better job, and put his salary into my own pocket. Should I pull the plug? It's a tempting thought, but I know better than to act rashly. I've put a lot of effort into training Dan. Better to wait for a while and see what happens.

FEBRUARY

DATE: MONDAY, FEBRUARY 6, 2012

BANK BALANCE: $125,891.42

CASH RELATIVE TO START OF YEAR ("NET CASH"): -$11,262.90

NEW-CONTRACT VALUE, YEAR-TO-DATE: $216,929

I deliver a mixed message in the first February meeting. Along with all the new orders, the value of jobs constructed last month was $216,614, and we're poised for strong shipments in February. It's a great performance by the shop. So why do I have $11,262 less than I had at the beginning of the year?

Because money goes out the door as fast as it comes in, often faster. We've received deposit payments for most of the new orders, and preship and final payments for the jobs we delivered in January. That's a nice pile of cash: $215,034. But we spent even more: $226,297. We've had twenty-six working days so far this year, and it's cost $7,803 a day to run my factory. At that burn rate, I have sixteen days of working capital on hand.

I use QuickBooks to make sure that my accounting conforms to standard methods, but its cash management tools are very poor. I rely on the spreadsheet I designed in 2008 to look into the future. Directly after the meeting, I bring it up to date. I add all the incoming and outgoing payments I know about. The sheet is divided into weeks. I can see my cash balance each day, and, of course, each week's ending balance is the next week's starting balance. If I see a negative balance on any day, I'll move payments around. There's always a day in the future when I've used up all the income I know about. The trick is to keep bringing in cash so that this day never arrives.

After completing my update, I can see that working capital will hold steady throughout February, but only if we can book new orders as fast as we did in January. We'll need those deposits to keep up with the current rate of spending.

I don't want to give you the impression that I worry about money all the time. It's probably only several hundred times a day. If I feel like thinking about something else, I make a visit to the shop floor.

It’s a big space, 252 feet long, 122 feet across. It has a fourteen-foot ceiling and big windows on the outer walls. Concrete columns, set on a twenty-four-foot grid, break up the expanse. I can see carts loaded with completed table parts waiting to go into the finishing room. Beyond that are stacks of lumber, long rolling racks with shelves of veneer, and then the machines.

There are so many machines that it’s hard to spot the workers. The smallest are hand held, the largest as big as a minivan. They fall into three categories: cutting wood parts, sanding them, and clamping them together. When I began my career, woodworking machines were relatively crude and relied on the skill of their operator to prepare them for use. Workers are not consistent about how they do this. Every person who uses a tool ends up with a slightly different result, and it is impossible to duplicate an earlier setup. A project with many steps will start to accumulate errors. A good craftsman makes adjustments as the job progresses, but it takes great skill to produce complex work successfully. The best way to ensure high quality in that environment is to have one person take a job from start to finish, so that he can compensate for these inconsistencies. Another approach is to break the construction into small parts that are built repetitively: mass production. In my shop, we’ve never sold enough of any one item to need an assembly line, so we stick with the single-maker model.

In recent years I’ve bought a newer generation of machines. These are called CNC (computer numerical controlled) machines, but they’re better called robots. Instead of shop floor setups, they follow instructions in the form of computer code, written by Andy Stahl. We have two machines that operate this way: a laser and a CNC milling machine. The laser cuts very intricate, delicate shapes, like the logos we cut from veneer. The CNC is for big parts. It has a working area five feet wide and ten feet long and can make heavier cuts in bigger pieces of wood. Both these machines can cut to within a thousandth of an inch of the planned dimensions. This means that we don’t have to worry so much about accumulated errors. We can design complex work knowing that the pieces will fit together without a lot of adjustments, and we can have multiple guys working on a single project.

Another newer type of machine uses digital sensors to adjust to varying workpieces, but still requires an operator. We have two very expensive German veneer sanders. One can sand the pencil marks off a sheet of paper. A very skilled person with a hand sander can also do this, but not nearly as fast, and with a higher rate of failure.

A surprising truth about machines is that they have varying capabilities, just like human workers. Our second veneer sander is supposed to perform to the same high level as the first, but it cannot. It simply isn’t as good: every now and then a part put through it comes out ruined. We bought it first, but now we rarely use it.

There are very strict limits on the size of the material that our machines can process. This has changed the way we design our work. The largest piece that our CNC machine can handle is five feet by ten feet, and our veneer sanders max out at 54-inch width. Many of our raw materials come in sheets that are four feet wide and eight feet long. It’s hard for one worker to lift pieces bigger than that, so we use four feet by eight feet as a target for the maximum size of any component, even if the finished table is considerably larger. This is a good limit for other reasons as well: bigger pieces are more expensive to ship and won’t fit in elevators when we get to a customer’s site. Remember the feedback loops between the various functions of the business? Here’s a good example: the needs of Manufacturing and Logistics influence Design and Marketing to limit part sizes.

Users Review

From reader reviews:

Stanley Kamp:

Book is to be different for every grade. Book for children till adult are different content. As it is known to us that book is very important for people. The book Boss Life: Surviving My Own Small Business ended up being making you to know about other information and of course you can take more information. It is quite advantages for you. The publication Boss Life: Surviving My Own Small Business is not only giving you a lot more new information but also to be your friend when you feel bored. You can spend your own spend time to read your e-book. Try to make relationship with the book Boss Life: Surviving My Own Small Business. You never sense lose out for everything should you read some books.

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