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STARTING OUT

How to Launch A Business in Your 20s

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Starting a business at any age takes nerve. Unless you're thick-skinned, motivated and willing to take major financial risks, you're probably better off working for someone else.

But building a business as a twentysomething has its own special challenges. On the one hand, you have decades to recover financially if the business goes bust. And you're less likely to be tied down with big financial commitments, such as kids, that often scare older people away from self-employment. On the other hand, you may lack the money, life experience and connections that are crucial to make a business work.

But there are ways to compensate for these challenges. Here are some pointers that can boost your chances of success.

1. Get help.

Young entrepreneurs often try to handle every aspect of their businesses without consulting any experts or seasoned entrepreneurs, says Lawrence Gelburd, an entrepreneurship lecturer at University of Pennsylvania's Wharton School.

But such people can be valuable mentors and may steer young business owners away from big mistakes. Face it: A fine Web designer or fashionista won't necessarily be an accounting or marketing whiz.

Lining up a mentor before starting a business can help avoid foolish errors at the start that would be hard to erase after the business is launched. A lot of young entrepreneurs are "so excited to get started that they don't do a lot of the due diligence they need to start a company," Mr. Gelburd says. "Once they go ahead and start, they're stuck."

No such mistake was made by Matthew Lautz, the 24-year-old founder of software-development firm Brevient Technologies in Milwaukee. Before starting the business at age 19, Mr. Lautz consulted a friend's father, the former chief executive of an insurance company, to help him draft a business plan and attract a group of investors. "It's amazing how much help people will offer you if you ask," Mr. Lautz says. "If you don't ask, people are not going to help you."

Mr. Lautz also hired a part-time chief financial officer to prepare financial statements and brief him for investor meetings, and consulted lawyers. Not everyone is lucky enough to have such financial resources or influential friends.

But that shouldn't stop you from soliciting advice any way you can. There are books and university courses entrepreneurs can take as primers for starting a business, Mr. Gelburd says. And simply networking with other entrepreneurs can be a great way to find help -- and perhaps even some clients.

Think about joining networking groups, such as referral-group BNI (online at bni.com) or a local chamber of commerce. Score, a volunteer group of retired small-business owners loosely affiliated with the Small Business Administration, also offers free counseling to entrepreneurs. You can find your local chapter online at www.score.org/findscore. Some sites, such as LinkedIn.com, offer networking for entrepreneurs of all ages.

2. Don't live like a millionaire at 25.

Money is a thorny issue for many young budding entrepreneurs, especially since they don't generally have much of it.

Start-up financing from banks is notoriously hard to get, and that's doubly true for young entrepreneurs without a business track record or long credit history.

Many young entrepreneurs resort to self-financing by scraping together their own savings, using credit cards or taking loans from Mom and Dad. (That's not to say you shouldn't try applying for small-business loans through banks or try to find some generous investors.)

If and when money does roll in, the next challenge is resisting the temptation to spend it all. Most entrepreneurs, young and old, need to reinvest most of their early earnings back into the business -- not pay themselves handsome salaries or blow the money on fancy cars.

The fact is, most entrepreneurs live frugally and work extra-long hours for the first five or 10 years until the business is established.

In 1996, Brooks Calavan, now 29, founded a computer-hardware business in Austin, Texas, with \$200 and no outside financing. He bought computers at local auctions and resold them in local newspapers for double the price. Once he generated enough revenue that way, he started buying computer parts and custom-building computers from his garage.

"I lived in my office pretty much" and used the business revenue only for bare essentials such as food, he says. "Thankfully, macaroni and cheese and ramen noodles aren't very expensive."

His first few years, he worked 14-hour days, rolling most of his \$40,000 or so in first-year profit back into the business. His efforts paid off. He sold the business in 2003 for \$2.8 million, and now runs an information-technology services company that generates \$100,000 to \$125,000 a month in gross revenue.

3. Build your résumé -- fast.

Many young business owners struggle with the perception that they're too inexperienced and immature to be capable business owners. The challenge: How do you get potential clients, and even your own employees, to take you seriously?

Anita Khandpur of Dallas, now 28, has grappled with this issue since she opened Starwood Montessori School in Frisco, Texas, a private school for kids age 2 through 12, six years ago. The parents "always expect to see someone much older than me," she says. "A day doesn't pass when somebody doesn't ask me about my credentials."

When that happens, Ms. Khandpur explains that she is certified in Montessori education, and emphasizes her previous experience working for another Montessori school and her master's degree in early childhood education.

She also makes a point of being very professional and accommodating with her employees to gain their respect and trust. "You know they're looking at you thinking, 'Who is this 25-year-old telling me what to do?'"

She has made a point of hiring older employees to round out her staff, so that parents don't feel as if the business is run solely by a young person. "You don't want to surround yourself with totally young employees if you're young and just starting out," Ms. Khandpur says.

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