

Seven Lessons for Entrepreneurs

By Michael Houlihan and Bonnie Harvey

When we got into the wine business, we thought, “Oh, yes! Swirl, sniff and sip. Hold out your pinky. Say a few French words, and talk about mid-notes!” But the hard realities of just staying in business, reducing our need for capital, and understanding the real work required, were a sobering wakeup call. So much for pinkies and mid-notes!

We thought it would take five years to build a national brand, get noticed and get acquired. It took twenty! However, in the process, we learned several important lessons that helped us survive and thrive:

1. Outsource Everything (but Sales, Accounting, and Quality Control).

We often hear, “I’m going into business. I need an office, a production facility, and a warehouse.” What they really need is sales! Without sales, nothing else matters. The weight of regular monthly payments without sufficient sales is the millstone that drowns many new businesses.

2. Forge Strategic Alliances.

Who gets rich if you get rich? Take a good look at your accounts payable for clues. For us, it was the glass company. They would certainly sell a whole lot more glass to a low-priced, high-volume wine than to a \$50 boutique product. We kept them up to date with quarterly progress meetings. When we couldn’t make a payment, we’d call them in advance. They said, “Wow! Nobody ever called us before they missed a payment!” They eventually increased our terms and limits which enabled both our companies to grow faster.

3. Service what you sell.

Probably the biggest mistake we made was underestimating the cost of sales. Too many entrepreneurs get excited when their products are in some major new market. But have they considered what it cost to keep them there? We didn’t! We thought, “Hawaii’s perfect for a wine named “Barefoot” – bare footprints on the beach, and so many bars called ‘Barefoot.’” We initially failed because without personalized attention in every store on a regular basis, our accounts would not reorder. We had to abandon the market for two years until we could afford to have our own Hawaiian representative there to keep our product in stock.

4. Pay for Performance.

When you are paying your people right, the producers can’t afford to quit and the non-producers can’t afford to stay. We built team spirit with quarterly bonuses that matched everyone’s 401K donation on a sliding scale, based on sales, growth, and profits. Money is not everything to your people, but when they leave, it’s usually for a higher paying job. When you pay by the hour, you are paying for attendance. Don’t lose your top producers because they get paid the same as “attendees.”

5. Hire for Hustle and Integrity.

During the interview, pay close attention to body language. Do they shuffle in or do they move with certain purpose? When you ask them to get a file from another office, do they saunter out or take deliberate action? When you ask, “In your last job, what was your big-



gest mistake and how did you handle it?” do they blame others? If they accept responsibility, admit to the mistake and list the ways they prevented a re-occurrence, they will be an asset. Hustle and integrity, although not trainable, are essential to entrepreneurial success.

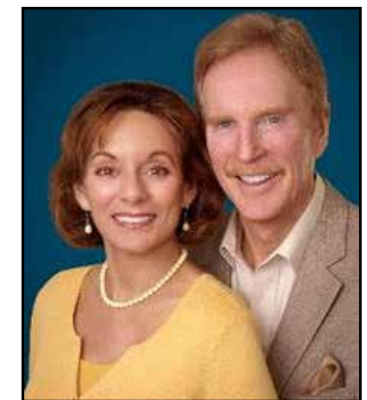
6. Make Mistakes W-R-I-T-E (Right).

Sure, you must correct mistakes as quickly as possible. But don’t stop there! Write down what happened and why. Then create, change or improve every document that can make that mistake less likely to happen again. Maybe it’s a sign, a label, a checklist or sign off sheet. Maybe it’s a policy or a procedure, a job description or even a clause in a contract. We built our business on the backs of mistakes. To stop your people from hiding them, give them permission to make mistakes write! Never waste a perfectly good mistake!

7. Stand for More than your Product.

Find a cause your company resonates with. The benefits will be more than philanthropical. Your people want to make a difference and will be more loyal if you’re “making the world a better place.” Customers want to support a company committed to a better fu-

ture. When you give your customers a social reason to buy, they become advocates. Supporting worthy causes worked so well for us, it became our main source of “advertising.”



Michael Houlihan and Bonnie Harvey are the founders of Barefoot Wines, and co-authored the NYT’s bestseller, The Barefoot Spirit: How Hardship, Hustle, and Heart Built America’s #1 Wine Brand, and The Entrepreneurial Culture, 23 Ways to Engage & Empower Your People. Both are recommended by CEO Library for CEO Forum, the C-Suite Book Club, and widely used in schools of entrepreneurship. Contact: info@thebarefootspirit.com for keynote speaking, trainings or consulting