Doing It Her Way
MAC & ME TAKES HIGH-STYLE APPROACH TO KNITTING PATTERNS

PLUS:
> DEALING WITH DISASTER
> SAYING GOODBYE TO BAD CUSTOMERS
> QUESTIONS FOR YOUR TECH CONSULTANT

SUMMER 2007
Pick up a newspaper these days and you’re inundated with tales of disaster—how a tornado tore apart a town or a fire closed down a series of family-owned businesses. As we turn the corner on summer, it’s hurricane season again, conjuring up memories of the havoc Katrina and other high-profile storms wreaked upon community after community and business after business.

Yet even with all this disaster coverage front and center in the news, the overwhelming majority of small businesses are not equipped to deal with any kind of crisis. Already stretched thin by day-to-day operations, most small-business owners don’t have the time or inclination to think about, let alone prepare for, how they might deal with disaster. It’s an oversight few small businesses can afford to take, experts caution. They say with a little simple planning and some time set aside to collaborate with employees to explore key vulnerabilities, businesses can go a long way in protecting their assets and ensuring a rebound.

In our main story, “Dealing with Disaster,” we offer a few pointers from crisis management experts on some basic steps for dealing with disaster—whether it’s recovery from a fire or a public relations crisis. We also talk to disaster survivors, in New Orleans, in particular, to learn from their mistakes and to see how they’ve managed to turn crisis into opportunity. We also steer you to some online resources that can help you take the first steps in disaster preparation.

In our profile story, we introduce you to Mac & Me, a knitting-pattern business that bucked convention to carve out its own niche without having any disastrous ramifications. And in our departments pages, we examine some challenges dealing with customers—from how to let go of clients that are no longer profitable to tips for rekindling relationships with former customers without alienating them with a blatant sales pitch.

So whether it’s tackling a particularly thorny customer issue or making sure you’ve got enough insurance coverage to protect your business, we at Business Asset have you covered.

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**CUSTOMER CARE**

**Rekindling relationships**

Here’s what appears to be a quick sales strategy fix: Instead of pouring time, money, and energy into trying to drum up new clientele, what about circling back to old customers to try to pump up the sales volume?

At face value, this approach may seem like a cost-effective alternative to trying to find new prospects. But in many cases, experts advise against going back to the well, especially if you’ve been out of touch with that customer for a significant period of time or worked with them only on a specific transaction.

“In a large part, it’s a misnomer that you can pick up where you left off,” notes Andy Birol, president of Birol Growth Consulting (www.andybirol.com), an author and small business consultant based in Solon, OH. “It’s just like dating: Yes, you can go back to someone you’ve dated before, but you have to do so with great trepidation and the recognition that you’re going to have to rebuild trust, and that’s no small matter.”

Simply calling upon a customer you’ve done business with before—either selling them a product or service—is taking a leap of faith that that customer has a good impression of you and is ready and willing to rekindle the relationship, Birol says. To help things along, he recommends taking action to reestablish trust and regenerate interest. That can be done by creating a community, by providing them with new information, or by solving a new problem or an existing problem in a better way. For instance, with one of his clients, a landscaping business, Birol worked up a program to have the landscaper send past clients quick sketches of a new landscape addition that might add value to their specific property as a way to reconnect and foster interest.

In fact, Birol says he’s practicing what he preaches in his own consulting business. In the 10 years he’s been in business, Birol has had over a hundred clients, many of whom he’s lost touch with over the years as they stopped engagement. This year, Birol is making a conscious effort to reconnect with that lost customer base. But instead of cold-calling and feeling them out for new business, he’s offering up free services and enticements to get old clientele re-engaged in what he has to offer. For example, Birol is hosting a series of roundtables where he invites 10 clients in at a time, three times a month, to reconnect and share information. He’s also sent past clients free, autographed copies of his latest book.

“You have to provoke them into having a significant discussion with you,” he explains. “You have to win them back and reestablish a relationship.” BA

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**MARKETING 101**

**SEO not rocket science**

Search engine optimization (SEO)—the practice of building your Web site so it is ranked high in search results by popular search engines like Google—may not be rocket science, but to many small-business owners, it’s subject matter they believe is well out of their league.

While many small businesses will spring for specialized Web consultants to handle their SEO work, experts in the field say anyone can be an SEO do-it-yourselfer if willing to follow a few basic rules. Doing SEO to get your site ranked high on a national scale can be complex, but for small businesses looking to carve out a local presence on the Web, the task is much more manageable, according to Bruce Clay, president of Bruce Clay Inc. (www.bruceclay.com), a Moorpark, CA, Internet marketing company that specializes in search engine optimization.

Clay and other SEO experts suggest these basic tenets:

- **Select the right keywords.** This is a pretty straightforward exercise, Clay says. “Think about the words you would type in and expect your site to show up—it’s a good bet those are good keywords for you,” he says. There are a number of free keyword research tools available, including SeoBook (www.seobook.com) and WordTracker (www.wordtracker.com).
- **Use unique titles on every page.** Steer clear of sensational type titles and employ titles that take advantage of keywords. For example, Boston Chevrolet dealer could be an appropriate title page.
- **Be diligent about adding new content.** The more often you update content on your site, the more search engines will search through it and the higher you’ll be ranked. Repeat keywords and related words in your text, but don’t overdo the use of keywords.
- **Secure incoming links.** You can increase your ranking if you can secure a link from a recognized hub site in your field—for example, having a link to your site posted on the local Chamber of Commerce site.
- **Create a site map.** This is a separate HTML page that acts as a directory of your Web site pages. Creating one not only encourages search engines to easily locate content on your site, but it helps visitors navigate as well. BA
**Doing It Her Way**

**MAC & ME BUCKS CONVENTION, TAKING A HIGH-STYLE APPROACH TO KNITTING PATTERNS.**

Leslie Scanlon has always had just a touch of that rebel streak. She balked at the practicalities of a business or education degree in favor of a background in fine arts and architecture. She waited tables at night so she could supplement a gig restoring oil paintings in Boston in lieu of taking a salaried office job. It was no surprise, then, when starting her own company, Scanlon had a go at the knitting-pattern business in her own fashion.

Scanlon, who started Mac & Me (www.macandme.net) nine years ago, makes high-style knitting patterns that are sold on the Web and today, in 800 knitting stores throughout the United States and Europe. An avid knitter since she was six, Scanlon got her start in the business while working in a yarn store, where she would periodically tweak off-the-shelf patterns and eventually started writing her own. Encouraged by the local yarn reps to sell her line, Scanlon began producing and packaging her own patterns. However, instead of coming out with new designs for each season, which was the industry norm, she stuck to a twice-annual schedule. She also took a pass on specifications provided by the yarn companies for specific types of patterns, instead focusing on creative designs that suited her fancy.

“They take a paint-by-number approach, telling designers, here’s the colors, the yarn style, and the specs and size, and oh, by the way, we need the garment in six weeks,” she recalls. “I wanted to approach the business like a traditional fashion designer. I wanted to pick the garment and the yarn texture, and make it fit the way I wanted it to fit.”

With that sentiment in mind, Scanlon set out to build Mac & Me her way, not the yarn companies’ way. By sticking to a less aggressive pattern schedule, she risked not being out there enough to compete with other pattern companies’ more seasonal offerings. She also decided early on to forego the industry trend of taking free yarn from yarn companies, and instead, shoudlered the cost of buying the yarn of her choice in exchange for creative freedom.

“I made a decision to use whatever yarn I wanted and bought it all on my own,” she says. “That way, I didn’t owe anyone anything and I didn’t have to follow their direction.” The decision, while at the time risky and expensive, ended up working in Mac & Me’s favor, cementing her position as a high-quality, designer pattern brand vs. a templated, off-the-shelf product.

Scanlon also made another conscious business decision to forego traditional advertising in favor of word-of-mouth marketing. While partly motivated by cost, Scanlon was also concerned with growing too quickly. With her limited pattern schedule, Scanlon was wary of creating too much demand for products that she couldn’t meet. She was also mindful of her branding position of high style and high quality and was concerned that aggressive advertising would put demands on her to ramp up production, which she might not be able to handle.

“It boiled down to a quality issue—I didn’t want my patterns not looking right and I wanted to be able to control all the specs,” she says.

Despite the risks attached to some of those choices, Scanlon’s decision to chart her own course has paid off. Mac & Me, which Scanlon has been (continued on page 5)
Dealing with Disaster

MOST SMALL BUSINESSES WILL EVENTUALLY FIND THEMSELVES IN THE GRIPS OF A CRISIS. HERE’S HOW TOCOPE.

Flip open the newspaper on any given day, and there’s another story about some sort of disaster or crisis taking its toll on small business. Maybe it’s a fire that ripped through a small strip mall, forcing a movie rental shop or convenience store to temporarily close its doors. Maybe it’s the loss of a key customer, which forces the owner of a small advertising agency to take the dreaded step of letting employees go. Or perhaps, an unfortunate event—say a food poisoning incident at the corner diner—shines the spotlight on the business in an unfavorable manner, making it difficult to rebound.

At some point, every small-business owner will find themselves in the grips of a crisis. Some will have done a modicum of prevention work, while a smaller percentage will have some kind of formal disaster-recovery plan in place. The truth is, however, the overwhelming majority of small businesses are ill equipped to deal with crisis or disaster situations. Considering that most small-business owners are already stretched thin, preventive planning of any sort gets sidelined by the need to stay focused on the day-to-day stuff, yet it’s that very lack of preparation which can ultimately put many a company out of commission.

“No matter what kind of business you’re in, there is one thing in common: At some point, there will be some sort of problem that if not managed properly, will turn into a crisis,” explains Jeffrey Caponigro, president and CEO of Caponigro Public Relations (www.caponigro.com) in Southfield, MI, and the author of the book, The Crisis Counselor. “The key is for a small-business owner not to have a false sense of security, thinking just because they’re small, they’re okay. A small business is even more vulnerable to crisis than large businesses because they have less resources to both spot and manage a crisis.”

While the specific approach might vary depending upon the crisis, there are a number of guidelines a company can follow to establish some base level of protection, Caponigro and other experts say. Researching and investing in the proper insurance coverage goes without saying. There are also simple steps like having centralized contact information for all employees or having backups of critical information, be it online or otherwise, that while seemingly a no-brainer, are typically overlooked by many smaller firms. Finally, experts advise taking the time to identify vulnerabilities that are pertinent to your line of work and your particular geographic area.

ID Areas of Weakness

Including employees in the discussion to explore what could go wrong in your particular industry is critical. Experts say paying attention to the types of customers or employees you deal with as well as what types of natural disasters are prone to your area can help pinpoint prominent areas of weakness. “Ninety-five percent of serious problems affecting business happen as a result of what a business does,” explains James E. Lukaszewski, CEO and president of The Lukaszewski Group Inc. (www.e911.com), a crisis management consultancy in White Plains, NY. “One of the reasons most companies fail to prepare is they believe they have expertise to handle the problem so they think they’re covered.”
Unfortunately, this isn’t always the case. That’s why Lukaszewski advises smaller businesses to conduct a vulnerability analysis at the very least, on an annual basis. The weak points will be different for every business. “Look at what could possibly go wrong, pick the one or two that are most devastating to your business, and work through those scenarios,” Lukaszewski explains.

Many potential crisis scenarios can be averted if the underpinnings are addressed early on. The problem is busy business owners often miss the small issues that can quickly escalate into something larger or they approach a problem hoping it will go away. “The number-one reason problems don’t get dealt with is wishful thinking—business owners lack the maturity or aren’t experienced enough and they hope the problem will just go away,” says Steven Van Hook, founder of Worldwide Media Relations of Santa Barbara, CA, and publisher of the All About Public Relations Web site (www.aboutpublicrelations.net).

If a problem does arise, many business owners lose points and endanger their livelihoods because of the way they communicate the situation to the public. Van Hook advises business owners to conduct an internal investigation to get to the bottom of the problem and put the complete set of information out there, to customers or to the media, if necessary, instead of doing damage control and releasing your story in bits and pieces. “What really hurts is death by 1,000 cuts,” he says. “When you start to see something boil up, jump on it, and get to it quickly rather than watching the pot boil over.”

Finding the Silver Lining

Beyond dealing with the broad array of possible crisis scenarios, small-business owners also need to concern themselves with the possibility of a genuine disaster—either man-made or courtesy of Mother Nature. Fire is a big one as are hurricanes, earthquakes, and other natural disasters that seem to be escalating if local news stories are any barometer. While no company can plan effectively to ward off one of these disasters, there are some precautionary steps that will ensure you’re sufficiently protected and prepared if you happen to become a victim.

Meeting regularly with your insurance agent to revisit and re-evaluate your coverage is a requisite. That was a lesson Cecilia Sogin, owner of St. Claude Hardware, learned the hard way after her New Orleans-based store was devastated as a result of Hurricane Katrina. While Sogin had some basic coverages in place that have given her a moderate degree of compensation for the loss of her building and store inventory in the Lower Ninth Ward, she hadn’t taken the time to meet regularly with her agent to evaluate whether or not she was adequately insured.

“As the dust settles, I’ve become somewhat religious about saying I’ll sit down with these guys once a year to talk and reevaluate,” says Sogin, who is among the minority of New Orleans businesses that are inching their way back. “Before I didn’t seek out the relationship and assistance I needed to get good information. I was running a business, and I never had time for anything.”

Hubig’s Pies (www.hubigs.com), a New Orleans institution since World War II, also learned a lesson or two about insurance coverage. The family-owned business, which was operationally devastated after Katrina, had the full roster of insurance coverage—general liability, building, key personnel, profit and payroll, even business continuity—a hangover from generations past who were firm believers in insurance, notes Drew Ramsey, one of Hubig’s current owners. Even with all this coverage, Hubig’s finds itself in a tough place. Reimbursement on the loss of its fleet of 10 vans, for example, was a hundred thousand dollars shy of what it actually cost to replace them. There are also ongoing struggles with the insurance companies over the definitions of business interruption and other clauses in the contracts, which will likely impact and impede Hubig’s full recovery. “You can’t really plan if the foundation of your plan doesn’t come through,” he admits.

Ramsey and Sogins have also learned another valuable, albeit basic, lesson in disaster recovery planning—putting processes in place for alternative means of communication. Hubig’s nearly 60 employees, many of whom were with the company for decades, were scattered to other states after the event, and it’s been a daunting exercise to try to find them. Sogins also now vows to put procedures in place for contacting employees, including a central database of contact information.

Going forward, Sogins is also committed to investing in some kind of portable server device that will

95% of serious problems affecting business happen as a result of what a business does

In Case of Emergency

Being prepared for a business disaster will ensure that your company can recover. Experts advise following these steps to make sure you’re covered:

■ Be informed. Do some sort of risk assessment to familiarize yourself with the kinds of emergencies that might impact your company. Be sure to find out exactly what kind of natural disaster you’re vulnerable to based on your particular area.

■ Put a continuity plan in place. Carefully access how your company functions to determine which staff, materials, procedures, and equipment are necessary to keep the business going. As part of the plan, make sure you designate a chain of command and have employees’ phone numbers (including cell phones) and contact information stored in a secure place, potentially off-site. Also create a contact list for critical suppliers and contractors to ensure the flow of business can continue.

■ Keep a backup set of records. Make sure you have all critical business records backed up and stored off-site. Recreating records after a disaster is one of the most difficult challenges to overcome.

■ Make sure your insurance is up-to-date and adequate. Consider coverage for property damage and loss, but also for business interruption.

■ Practice makes perfect. Do the occasional dress rehearsal of how you and your employees would respond in the event of a crisis.

SOURCE: READY.GOV: SCORE, BUSINESS ASSET REPORTING
FEATURE

DEALING WITH DISASTER

and it’s all gone.”

had no idea where it was. It was all essential,

vices for small companies.

of RPPC Inc. (www.rppc.net), a Kansas City, MS-based accounting

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of their regular housecleaning. Here are other suggestions:

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ity) each year as part

Cutting the Cord

in file cabinets, and other stuff, I

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and it’s all gone.”

What’s not gone from Sogins or Ramsey or

many other survivors of disaster is the spirit and
determination to carry on. Sogins is now work-

ing the commercial side of her business from

a trailer in another New Orleans neighbor-

hood and has partnered with several Federal

Emergency Management Association (FEMA)

contractors to supply building materials and

supplies in the rebuilding effort. Hubig's has

reconnected with many of its original crew to

open shop, for now, concentrating on sales of

its famous glazed pastry, not its full line of pies

and baked goods.

While recovery for them and others isn’t
easy, it’s essential. Says Ramsey: “You can’t plan
for something like this—for a typical hurricane
in the past, you get a full tank of gas and some
food and you’re set. The learning curve is steep
when you get into this situation.”

Doing It Her Way

(continued from page 2)

operating on a full-time basis for the last two
years, currently offers over 90 patterns of chil-
dren’s and women’s sweaters and accessories
in stores and on its Web site. Scanlon’s pat-
terns have been published in magazines and

in books, and revenues from the business have

mushroomed 800% in the last three years.
Scanlon now employs two part-time employ-
es to help her put together patterns and pull
orders, and what started off as three to four
orders a week has blossomed into nearly 40
orders weekly on a regular basis.

With the growth has come some challenges.
Scanlon wrestles with the idea of giving up
distribution to a third party or bringing on
someone full time to oversee it. She also strug-
gles with the quality issues and how to keep her
own voice as more people come on board.

Despite any minor bumps, however,
Scanlon believes choosing an alternate path
has helped Mac & Me, not hindered it. “Being
an outlaw has enabled me to grow at my own
pace and not get too big too fast,” she says. “It
also has given me control over quality and
quantity and let me investigate those weird,
out-of-the-ordinary fashions that I love.”

Resources

Check out these resources to stay current on disaster recovery and crisis management:

■ For emergency planning and business continuity: http://www.ready.gov/business/

other/library.html


■ The Small Business Owner’s Guide to a Good Night’s Sleep, by Debra Koontz Traverso:

http://www.debratraverso.com/guide.html#crisis

■ The Crisis Counselor, by Jeffrey R. Caponigro: http://www.crisiscounselor.com/

KEEPING THE BOOKS

Cutting the Cord

You know those whiny clients or high-maintenance customers. The ones that demand all your time
and energy, leaving little wiggle room on margins to reap a profit. Despite the time and muscle it takes to
keep them happy (or even unhappy, as the case may be sometimes), keeping them on the active list is
top. “Small-business owners have a tendency to say yes to everyone, but not every client is created
equal,” notes Pam Newman, a small-business owner and president of RPPC Inc. (www.rppc.net), a Kansas City, MS-based accounting

and consulting company that provides business development services for small companies.

Newman, and other business advisors, recommends companies fire

the bottom 10% of clients (in terms of profitability) each year as part

of their regular housecleaning. Here are other suggestions:

■ Stay focused on core competencies. Sometimes a client or cus-
tomer will try to coax you into doing something outside your specialty.
Say you’re a landscaper, for example, and your main line of
work is rock walls. If one of your customers starts asking you for lawn
services or tree work, it most likely doesn’t make sense to veer off in
that direction. “Don’t be afraid to tell people upfront that that’s not
your specialty area,” Newman says.

■ Be sure clients are profitable. If you’re not generating enough mon-
ey or losing money on a particular client, then it doesn’t make sense
to stay on the losing end of the relationship. Clients that chronically
complain or waste your time because they’re never ready to heed
your advice are likely not worth keeping. “Clients who keep you chas-
ing your tail will likely never be moneymakers,” Newman explains.
“And you run the risk that they’ll bad-mouth you afterwards.”

■ Avoid those that want something for nothing. Newman advises steering

clear of clients who have “champagne tastes on beer budgets.”
To rein in customers always on the prowl for free advice, she recom-

mends putting processes in place, for example, regularly charging for
phone consultations or instituting 48-hour cancellation policies.

Once you weed through your customer list and identify the cul-
prits, it’s time to let them go. Newman says the best tactics are
gentle ones. Raising fees is one way to eliminate clients. She also
suggests telling the client that the fit isn’t right and that they need
something you can’t provide. “Make it all about the benefit to them,
not about you,” she says.
Smart Questions for Your Tech Consultant

By Jennifer Gill

Your IT system needs a major overhaul, and hordes of consultants would love to fix it for you. How do you find one who’ll get the work done on time and on budget? Start by asking these questions:

1. **What happens if I’m not satisfied at the end of the project?** A mediocre IT consultant will start talking fast about money-back guarantees. A smart one should assure you that it won’t come to that because you’ll get regular progress reports during the project and be able to make adjustments as needed.

2. **Are you doing the work?** The person making the sales pitch may not be the one installing your system. Ask how many consultants will work on the project and what their qualifications are. Some firms train newbies on the job, which may be fine as long as there’s a senior engineer on duty, too. If you’re talking to a one-person shop, make sure there is a backup plan in case the consultant can’t finish the job.

3. **Do you have alliances with software or hardware vendors?** A consultant may have skin in the game if you buy from a certain vendor. Look for one who will put your business first, not his wallet. Ask if he’ll present a range of products from different makers and explain the pros and cons of each. Make sure your consultant is up front about any commissions he’ll get from the sale.

4. **Have you worked with smaller companies in my industry?** Consultants love to tout projects with big blue-chip clients, but what matters to you is that they understand the technical needs of smaller companies with smaller budgets. They should also know your industry—especially if there are regulatory requirements for data.

5. **What will I learn from you?** This question will help you gauge whether the consultant has an exit strategy in mind—or plans to hang around accruing billable hours, says Michael McLaughlin, a principal at MindShare Consulting in Portland, Oregon. Confident IT providers won’t have a problem sharing what they know so your staff can manage without them. On-site training, full documentation of the system, and collaboration with your IT team are all a must.

6. **Who is the project manager?** Be wary if there isn’t one. The project manager’s sole job is to get your work done on time and on budget, both of which are critical to your business. Make sure that the person is easy to reach, recognizes your needs, and can talk to you without slipping into indecipherable jargon.

7. **Will you support the system after it’s implemented?** Some tech consultants, especially sole proprietors, move on to their next project and become difficult to reach. If a consultant offers long-term support, nail down the specifics before signing a service contract. Don’t get passed off to a third party.

8. **What don’t you do well?** No consultant can solve all your IT needs, so be skeptical of anyone who says he can. The answer to this one also lets you know if you’ll have to hire more techies to take care of other parts of your system.

9. **How much are you going to cost me?** Insist upon a flat fee for the project and set up a payment schedule that hinges on the consultant reaching certain milestones. You might, for example, pay 30 percent up front, a portion each time a goal is met, and the balance upon completion. Get at least three bids for the work, and ask each consultant to break down the costs for labor, equipment, and training. A good consultant will tell you that this is his best estimate and that if the scope of the project broadens, he’ll explain why and negotiate the fee. “The really good ones will say, ‘If the scope diminishes, I’ll knock money off,’” adds Patrick Cook, of the Small Business Technology Institute.

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**Excuses, Excuses**

By Inc. Staff

If you’re using one of the following justifications to explain why you’re not paying overtime, you could be breaking the law.

1. **“He’s on salary.”** Even salaried workers may have to be paid overtime if their jobs meet certain exemption criteria. The rule of thumb: If they don’t make many independent decisions, they may qualify for time and a half.

2. **“Longer hours are in her contract.”** Some employers try to avoid paying overtime by building extra hours into employment contracts. But employees can’t opt out of overtime pay.

3. **“He makes a lot of money.”** White-collar workers who earn more than $100,000 a year and meet the “independent judgment” criteria are ineligible for overtime only if they make at least $455 a week in guaranteed salary. In many cases, bonuses don’t count.

4. **“He’s an outside sales rep.”** Outside salespeople are generally exempt from overtime pay. But if they spend more than half their time in the office, they may actually qualify.

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