INTERIOR DESIGN IN PRACTICE
CASE STUDIES OF SUCCESSFUL BUSINESS MODELS

Terri L. Maurer, FASID   Katie Weeks

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Preface

From the slew of interior design magazines populating local newsstands to the twenty-four-hour schedules of cable television channels like HGTV and Fine Living, design is big business. A research publication completed in 2004 by the American Society of Interior Designers (ASID) revealed that there were 11,000 small interior design firms, and another 21,000 practicing as sole practitioners. Together, these two groups made up two-thirds of the interior design businesses operating in the United States. They're not just design fanatics, either: They're trained professionals. ASID's research further revealed that 95 percent of the designers surveyed hold college degrees, with 75 percent of them coming from a four- or five-year interior design program. Clearly, this expanding group of interior design professionals is highly educated in its chosen field.

So how do you stand out from the crowd? Consider the classroom to be a starting point. When it comes to curriculum, the basics of an interior design education are leveling out across the country, thanks in part to the influence of professional organizations like the Council for Interior Design Accreditation (CIDA, formerly FIDER, the Foundation for Interior Design Education Research) and National Council for Interior Design Qualifications (NCIDQ). But even with this background, most interior designers are missing one critical area of education: business acumen. For those who enter the profession assuming that they will become gainfully employed by a design firm and remain a paid employee for the duration of their career, the limited business courses included in a typical college curriculum for interior design may meet their needs. But for those with an entrepreneurial bent and an interest in one day either owning their own company or rising high in the managerial ranks of a larger practice, the business education incorporated into many of today's design programs is sorely lacking. A general business course in economics or marketing does not provide the background

information required to open or support a stable business that will succeed in the marketplace over time.

Interior designers who want to run a successful practice often find themselves impeded by a lack of knowledge of how to begin the process of launching a business, as well as how to then grow the venture and take it to a higher level. *Interior Design in Practice: Case Studies of Successful Business Models* aims to help meet this need. Armed with a broad selection of business topics focused on planning, starting, and sustaining an interior design business, designers can begin thinking about how they can start a business of their own and how to grow that business toward their own vision of success. This is not, however, a textbook of facts and forms. It is, instead, a compilation of useful in-the-field advice, anecdotes, and information. In addition to discussing the basics of starting, operating, and growing a business, *Interior Design in Practice* includes firsthand case studies, examples, and advice from design and business professionals who have worked their way from fledgling startups to successful design firms that span the globe in projects and practice.

A collaborative effort by an experienced designer with nearly three decades of experience in a variety of interior design business models and a successful editor and writer with experience covering architectural and interiors practices of all sizes, this book is meant to assist an interior designer on topics that arise throughout the life of a thriving firm—ranging from the skills and traits that successful entrepreneurs possess, to the planning and development necessary to successfully begin a one-person operation and potentially transition to a variety of larger models. From there, *Interior Design in Practice* looks even further, working its way through the process of building a business with real value, and culminating in end-of-the-road issues like succession planning and selling the business.

There is a wide array of business textbooks on the market as well as a wealth of information online that address the more analytical side of starting or running an interiors practice. In complement to these resources, the from-the-trenches stories and advice encapsulated in the following pages are meant to serve not as hard and fast processes that must be followed to the minute detail, but rather as glimpses into the choices that may be made. The ultimate goal of *Interior Design in Practice* is to connect readers with their peers, an approach that also aligns with ASID's strategic goal of fostering a sense of community among interior design practitioners. This book is meant to live on the desk—not just the reference shelf—of both the budding entrepreneur and the seasoned design practitioner, to be reviewed at one's convenience on-site and at a minimal cost. It is meant as a stepping stone along the journey to success, to be augmented by the growing number of continuing education programs, business textbooks, and websites available to interior designers today.

As coauthors, we hope you find the insights on the forthcoming pages useful and entertaining. We'd be remiss if we did not thank here the contributors and interviewees who shared their trials and tribulations with us unabashedly. We hope you can learn from their experiences and challenges, but more important, from their successes—we certainly have.

Contents

Part II: Sustaining and Growing Your Business

Chapter 4: Taking Your Business to the Next Level

Chapter 5: Transitioning from Small to Midsize and Large Firms

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Part I:
Starting an Interior Design Business

Chapter 1:
The Beginning

Interior design is a unique profession, one that flourishes on passion and innovation. It is a profession founded on variety, offering projects of all scopes and sizes, from intimate residential spaces to large-scale commercial ventures to the latest hotels and restaurants or state-of-the-art medical facilities, to name but a few. What's more, when interior designers leave for home at the end of the workday, they hardly leave their work at the office, as our everyday environments—our homes, grocery stores, doctor's offices, restaurants—are designed in some way, by someone. Should you seek them, inspiration and possibility abound at every turn.

Included in the realm of possibility are the myriad ways a designer can choose to operate. A professional interior designer may work within a larger firm, operate as a design consultant, or log hours as a retailer, educator, researcher, historian, critic, or journalist, or as a product and manufacturers' representative, among other options. Many interior designers, however, choose at some point to start their own firm. In fact, while large design firms often appear in the headlines, it is small firms with fewer than five employees that make up the bulk of the industry.

Why Do You Want to Have Your Own Business?

As many practicing designers come to learn, it is one thing to be inspired and another to be profitable. To be successful, interior designers must learn to balance unbridled creativity with practicality and professionalism. As exciting as the design field is, it is a competitive industry—and today, as in many industries, business savvy is just as essential as talent.

When it comes to the desire to hang one's own shingle, interior designers are not alone. Many do it. According to the National Foundation for Independent Business (NFIB), small businesses represent over 99 percent of all employers in America, with about 24 million such businesses in the United States alone.[1] With this scope, small business creates 60–80 percent of all new jobs in America.[2] Other interesting statistics:

- Small businesses generate more than 50 percent of the American nonfarm private gross domestic product (GDP).[3]

- The United States has almost 6 million small employers, 90 percent of which employ fewer than 20 people.[4]

- About 6–7 percent of the U.S. population is in the process of starting a business at any given time.[5]

- About 53 percent of new small businesses begin in the home with less than $10,000. Many start with borrowed capital and leased or used equipment. About 3 percent are franchises.[6]

Within this realm, interior design practices are an ever-growing segment. In its 2007 report *The Interior Design Profession: Facts and Figures*, the American Society of Interior Designers (ASID) found that between 2000 and 2005—a mere five years—the number of employed interior designers grew by more than 20,000, and from 2002 to 2006, the total number of interior design firms increased by 450.

In 2002 the U.S. Census Bureau classified interior design as an independent profession for the first time, separate from design in general (which also includes floral design, ceramic design, and graphic design). Under these new classifications, the Bureau of Labor Statistics estimated that in 2004 there were 65,000 interior designers employed in the United States, with about three in ten of those self-employed. However, ASID notes that privately conducted studies raise that overall total as high as 96,000 or even 112,000, depending on how you define a practicing interior designer.

Will You Make the Cut?

Success in business is never automatic, nor is it strictly based on luck—although a little luck never hurts. Success depends primarily on an owner's foresight and organization. Yet even then there are no guarantees.

Starting a small business is always risky, and the chance of success is slim. According to the U.S. Small Business Administration, roughly 50 percent of small businesses fail within the first five years. In his book *Small Business Management*, Michael Ames gives the following reasons for small business failure: lack of experience, insufficient capital or money, poor location, poor inventory management, overinvestment in fixed assets, poor credit arrangements, personal use of business funds, and/or unexpected growth.

Another business writer, Gustav Berle, added two more reasons in *The Do-It-Yourself Business Book*: competition and low sales.

Such odds might, and perhaps should, give the uninitiated pause. Underestimating the difficulty of starting a business is one of the biggest obstacles entrepreneurs face. However, success is achievable for those who are patient and willing to work hard, and who take all the necessary steps. It's true that there are many reasons not to start a business. But for the right person, the advantages of business ownership far outweigh the risks. You will be your own boss. Hard work and long hours directly benefit you, rather than increasing profits for someone else. Earning and growth potential are far greater. A new venture is as exciting as it is risky. Running a business provides endless challenge and opportunities for learning.

Do You Have What It Takes?

Is entrepreneurship for you? Consider the following advice from the U.S. Small Business Association[7]: In business, there are no guarantees. There is simply no way to eliminate all the risks associated with starting a small business—but you can improve your chances of success with good planning, preparation, and insight. Start by evaluating your strengths and weaknesses as a potential owner and manger of a small business. Carefully consider each of the following questions:

- Are you a self-starter? It will be entirely up to you to develop projects, organize your time, and follow through on details.

- How well do you get along with different personalities? Business owners need to develop working relationships with a variety of people, including customers, vendors, staff, bankers, and professionals such as lawyers, accountants, and consultants. Can you deal with a demanding client, an unreliable vendor, or a cranky receptionist if your business interests demand it?

- How good are you at making decisions? Small business owners are required to make decisions constantly—often quickly, independently, and under pressure.

- Do you have the physical and emotional stamina to run a business? Business ownership can be exciting, but it's also a lot of work. Can you face six or seven twelve-hour workdays every week?

- How well do you plan and organize? Research indicates that poor planning is responsible for most business failures. Good organization of financials, inventory, schedules, and production can help you avoid many pitfalls.

- Is your drive strong enough? Running a business can wear you down emotionally. Some business owners burn out quickly from having to carry all the responsibility for the success of their business on their own shoulders. Strong motivation will help you survive slowdowns and periods of burnout.

- How will the business affect your family? The first few years of business startup can be hard on family life. It's important for family members to know what to expect and for you to be able to trust that they will support you during this time. There also may be financial difficulties until the business becomes profitable, which could take months or years. You may have to adjust to a lower standard of living or put family assets at risk in the short term.

The ABCs of Planning

Although advice and anecdotes abound on things to consider when weighing the idea of opening your own interior design practice, there is consensus on the necessity of one aspect: planning. In a very basic overview, the necessary planning can be broken down into three realms: business planning, strategic planning, and financial planning. Financial planning is straightforward in its name, but business planning and strategic planning may be a little more confusing, as their exact definitions vary.

Let's take a moment to focus on business planning. Myriad resources are available for designers today that not only offer in-depth advice on how to structure a business plan but also provide templates to get you started. Typically, a plan at minimum contains an introduction that should entice readers to want to learn more about your specific business. This is often followed by an industry analysis that shows how your venture fits into the competitive landscape, a resume of the founder's (or founders') business accomplishments, and marketing and financial plans.

Strategic planning, by nature, is much more subjective and less formulaic, containing quantifiable, measurable steps specific to an individual firm's success.

Business Planning vs. Strategic Planning: Johnson Consulting Services

Johnson Consulting Services, founded by Jill Johnson in 1988, works with professional services companies, impacting business decisions valued in excess of half a billion dollars. The firm's client base of corporations, government agencies, and nonprofit organizations spans twenty-one states in the United States, as well as Europe and Asia. Bringing strong analytical and comprehensive research skills, objectivity, candor, and integrity to each client's project allows Johnson's firm to play an instrumental role in the clients' organizational and financial success.

There seems to be considerable confusion about business planning, strategic planning, and marketing plans in the business world. It is not uncommon to have all three terms used interchangeably in the course of a discussion. With this in mind, Jill Johnson, founder of Johnson Consulting Services (JCS) in Minneapolis, Minnesota, defines the differences.

Business planning is about the functional areas of business: operations, market analysis, competition,

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