

A MODEL FOR INTERIOR DESIGN
BUSINESS ORGANIZATIONS

By

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PREFACE

Business and Interior Design is an area that has such little research and needs so very much. This is a field that is very new and exciting. Business organization needs to be and should be integrated into interior design. Business is a wide and diversified field in and of itself as is interior design. These two fields are too often separated and it is the writer's goal to see business and interior design grow together into one field.

A great many thanks go to a number of people who have helped make this project possible. First of all, I would like to thank my friends for their continual help and encouragement. To Melinda Wallace and Randy Riddell, I give my thanks for their moral support and sincere friendship.

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TABLE OF CONTENTS

Chapter	Page
I. INTRODUCTION	1
Purpose and Objectives of the Study	3
Methodology	4
Selection of the Respondents	4
Description of the Instrument	4
Description of the Respondents	5
Assumptions	5
Limitations	5
Definitions	5
II. REVIEW OF LITERATURE	7
III. MODEL DEVELOPMENT	13
Business Environment	13
Legal	14
Financial	14
Accountant	15
Banking Facilities	15
Insurance	16
Capital Sources	16
Accounting Records	17
Accounting Ratios	19
Profit Planning	20
Budgets	20
Management	21
Planning	21
Organization	22
Employee Management	22
Compensation	23
Inventory	23
Purchasing	23
Receiving	24
Marketing	24
Advertising	25
Client Contact	25
Service Contracts	25
Subcontractors	26
Finished Project	26
Organizational Analysis Model	27

Chapter	Page
IV. CASE FINDINGS	35
Case I	35
Case II	37
Case III	40
Case IV	42
Case V	44
Case VI	46
Case VII	47
Summary of Case Findings	49
V. SUMMARY	55
Conclusions	56
Implications	59
A SELECTED BIBLIOGRAPHY	61
APPENDIX A - INTERVIEW SCHEDULE	63
APPENDIX B - BUSINESS FUNCTIONS REPORTED BY SEVEN INTERIOR DESIGN FIRMS	70

CHAPTER I

INTRODUCTION

Small businesses now account for about one-half of all this country's business activities. About 95 percent of all business enterprises are classified as small. Because small businesses are so prevalent and perform such an important function in our economic system, it is desirable to study the unique challenges involved in one of them (Tate, Megginson, Scott, and Trueblood, 1975, p. 3).

Most interior design shops are classified as small and need to consider the business functions just as seriously as the actual design performed by that shop. There is no set definition of a small business. However, under the Small Business Act of 1953, Congress defines it as one of which is not dominant in its field of operation (Tate et al., 1975, p. 4), which is the definition that will be used in this study.

The owners of interior design shops need to be informed about the various aspects of business to keep the shop from failing. Failure of any business can be attributed to several factors.

In descending order, these failures are caused from: (1) lack of business records, (2) lack of business experience, (3) insufficient stock turnover, (4) accounts receivable, (5) inventory shrinkage, (6) poor inventory control, (7) lack of finances, (8) improper markup, and (9) lack of sales (Tate et al., 1975, p. 13).

Business failures can often destroy the owner's motivation and desire to get up and try again. The success record for small businesses is not too optimistic. Of every 1,000 firms, about 930 eventually fail, merge, or otherwise cease to exist (Tate et al., 1975, p. 15). The design firm has to be conducted as a business firm otherwise all the talents of the

designers are wasted.

Basic talent and the processes of the creative mind are two of the most important elements in the makeup of the professional designer. But even these abilities may be lost if the individual cannot harness them through an understanding of business procedures, professional practices, and at least a cursory knowledge of basic accounting principles (Murphy, 1975, p. 11).

Business principles should be understood completely in any type of ongoing business. All areas starting from the bookkeeping basics reaching to the final product are just as important to the success of a firm as the talent of the designer.

As in any business, owners must take the time and devote their strongest efforts to make their firm a complete success. They must be interested in their line of work as well as having the motivation to make it work. The owner or administrator must take an interest in the operation, and he or she should make a concentrated effort to inspire the same interest in his or her staff (Murphy, 1975, p. 19). If the owner does not make this effort of inspiring his or her employees, the staff will not want to give their best to the firm. It takes the effort of everyone involved in a business to create pleasant working conditions and an overall successful operation.

Just as the business of a firm is very important, the design aspect is necessary to the establishment. Design is an integral part of business. The designer's decisions are as important as those of the sales or production departments (Caplan, 1975, p. 36). If the designing capabilities of a firm are not satisfactory, the business expertise does not mean a thing.

The factors that will be discussed and analyzed are the business formations, the environment of the business-economic and locality, the legal, financial and management structure, inventory control and the

marketing functions. All of these areas need to be studied in full detail for the purpose of the success of the firm. Any area that is lacking any perspective can have a detrimental effect of the entire company through a possible domino situation. For example, if the inventory has not been properly checked it could affect the accounting records, sales, financing and management control. An owner should have an extremely high knowledge level of all areas, not just a few.

Some type of an analytical tool to review the business activities of a small design firm need to be developed, this would enable the owners to do a complete analysis of their business. They should have some method of reviewing their business without having to go to a management specialist or consultant. An organizational analysis model will be developed to help the owners of design firms be completely familiar with their business organization. This model will enable them to overcome any problems they might have to endure. It will allow the owner-manager to see the various good and bad points and help them to correct the mistakes and improve the present situation. Experiences that have proven costly can be eliminated. At present, there is not a model of this kind and, obviously with the current rate of failure, there is a definite need for one. This organizational analysis model will enable present and future design firm owners to turn their business into a bigger and better company and to control their firms business functions with complete accuracy.

Purpose and Objectives of the Study

The purpose of this study is to develop an organizational analysis model for small retail shops specializing in interior design and accessories and analyze the application in a design firm. This model will

enable small design firm owners to make an organizational analysis of their firm. The following objectives guide the study:

- (1) to develop an organizational analysis model that will help owners of small design firms to assess their business expertise concerning the basic business concepts,
- (2) to test the effectiveness of the model in a small business,
- (3) to make needed revisions and recommendations for model implementations.

Methodology

An organizational model will be developed after reviewing the literature of small business organizations. The model will then be tailored to small interior design firms. An instrument will be developed for testing the model by obtaining data from selected interior design firms. The instrument is going to be presented to the respondents to procure the needed information on a case study data basis. It will then be analyzed by tabulation.

Selection of the Respondents

The respondents will be selected from interior design firms in Tulsa, Oklahoma. The shops will either specialize in interior design, accessories or a combination of both. Once chosen, an interview will be set to determine the interest of the firms in responding to the questionnaire. If they agree, another meeting will be arranged to conduct the interview.

Description of the Instrument

The research instrument will be an interview accompanied with a questionnaire. The questionnaire will be taken from the model. After

the interview, the answers will be tabulated to show a complete picture of the finding.

Description of the Respondents

There will be a total of seven cases interviewed. All are relatively small in relationship to the definition of a small business. Some of the firms will have employees and others will not. Each one will be separated from the others in location. They all will be either interior design only, accessory shops only, or a combination.

Assumptions

The researcher will be assuming the following:

- (1) the design firms to be interviewed will be willing to cooperate in the research project,
- (2) the developed model will enable owners to analyze their firm with a better understanding of the managerial functions.

Limitations

The listed limitations will be used in this study:

- (1) much of the research presently available is not applicable to this area of study,
- (2) the size of the sample is limited to seven firms and one firm will be tested,
- (3) the locality of the sample is confined to Tulsa, Oklahoma.

Definitions

The following definitions have been used in this study:

Assets: Assets are the physical, financial or other values held by the firm (Tate et al., 1975, p. 221).

Corporation: The corporation is an association of individuals created by law, continuous existence independent of its members, and powers and liabilities distinct from those of its members (Siegel, 1968, p. 25).

Individual Proprietorship: The company and the owner are one and the same entity, so that the firm has no existence apart from the owner (Siegel, 1968, p. 20).

Liabilities: A company obtains its funds by borrowing, creating an obligation to pay, and by the owner investment (Tate et al, 1975, p. 221).

Marketing: Is the performance of business activities connected with the movement of goods and services from producers to consumers of other users (Jones, 1973, p. 18).

Marketing Concept: The company gives special consideration to the needs, desires, and wishes of your prospective employees (Tate et al., 1975, p. 298).

Partnership: Two or more people engaged in the same business sharing its profits and risks (Siegel, 1968, p. 23).

Selling: Is the personal, oral presentation of products or services to prospective customers for the purpose of making sales (Jones, 1973, p. 18).

Small Business: Business which is independently owned and operated and which is not dominant in its field of operation (Tate et al., 1975, p. 4).

CHAPTER II

REVIEW OF LITERATURE

The literature in the area of the business of interior design is not readily available; it reflects the need for research on this subject. This field is relatively new and needs additional research conducted into its many phases. The data that is analyzed covers the financial records, marketing, management and organization of small interior design firms.

Preston (1962, p. 36) says in Managing the Independent Business,

Accounting records are important even in the smallest and simplest enterprise because they yield the fundamental facts which the businessman must use to appraise his success and to reach decisions about future operations.

One of the important facts in a business operation is the knowledge of the basic accounting principles. Assets are the physical, financial, or other values which your company has (Tate et al. 1975, p. 418). Tate et al. (1975) further explains liabilities are obligations to be paid to borrowers for goods or services. Equity is the owners' share of the company after the liabilities are subtracted from the assets. Assets, liabilities, and equity accounts form the financial structure of a business. The balance sheet shows the total assets which have to equal the totals of the equity and the liabilities or it is out of balance. The profit and loss statement, which is sales minus cost of goods sold, expenses and taxes, shows the current financial standing of

the firm. Financial statements are prepared from accounting records to aid management in its analyses (Tate et al. 1975, p. 440).

In choosing the bank and its facilities, a business must look at the location, services provided, and the reputation of the bank. A bank is interested in: (1) how much money you need, (2) how you are going to use it, (3) whether your business will make more money, (4) whether the bank will be repaid, and (5) when that will be (Allen, 1968, p. 22). All of these facts are of great importance to the bank as well as to the business in the event of obtaining credit. It is recommended that you summarize your business idea, your objectives as they relate to profits and describe your product or service carefully (U.S. News Washington Letter, 1977, p. 2). A successful company needs agreement between the banker and the organization on all the phases of business.

Small businesses usually have to go to an insurance agent and possibly a lawyer to obtain the best available form of insurance. Interior design firms as well as any other business should retain some form of insurance. Liability coverage is essential. In the case of product failure, irresponsible clients, or poor workmanship, liability coverage assures protection. The contract provisions affecting the amount of recovery include: (1) those related to the concept of indemnity, (2) the policy limits, (3) co-insurance provisions, and (4) deductible clauses (Williams and Heins, 1976, p. 279). Some additional types of insurance provide protection against fire, theft, liability, property, and automobile.

Marketing, sometimes called "distribution", is the performance of business activities connected with the movement of goods and services from producers to consumers or other users (Jones, 1973, p. 18). Marketing consists of areas such as determining who the present clients are, who the potential

clients are and how to market them, what kinds of merchandise displays to use and how to arrange them, how to advertise to certain clients, determining the best contract to use for a particular job and client and most importantly, selling what the client wants--design expertise and service.

Selling. . . the personal, oral presentation of products or services to prospective customers for the purpose of making sales. It has become a highly developed technique, based on psychological analysis and psychological application. The salesman ideally does more than make the customer desire the product; he tries to win the customer's regard for the company which sells the product and tries to extend the confidence and regard of the customer to himself (Jones, 1973, p. 19).

A salesman should try to win the client's confidence and then sell the services provided.

Advertising is nothing more than the engagement in the art of communication with the dual purpose of: (1) persuading buyers to buy and (2) maximizing the profits of the seller (Steinmetz, Kline and Stegall, 1968, p. 477). Advertising should be done to an extent that the client is made aware of the goods and services provided and he realizes there is a need for the product. It should be consistent with certain time periods, holidays or periodic sales. Advertising is an expensive function of the business and requires budgeting of the available funds to get the best results for the dollars invested. Since knowing when to advertise is a direct function of the budget available for advertising, it becomes critical for the small businessman to know precisely how much money he can, or must, allocate toward his advertising budget (Steinmetz et al. 1968, p. 479). Advertising must be done with the most desirable media in relation to the budget allocation and the clients to be reached.

If a prospective client has expressed an interest in the services of the business, it is important to establish the contractual agreements at the earliest moment to avoid misunderstandings as the work progresses. This may

be accomplished with a standard form of contract or a letter of agreement.

The letter of agreement should contain these important points: (1) scope of services, (2) deposit or retainer fees, (3) manner of payment, (4) confirmation of purchase proposal, (5) fee or compensation base, (6) services and goods from other than the designer's own desired source, (7) extra services, (8) freight charges, (9) sales taxes, (10) reimbursement of expenses, and (11) other conditions (Siegel, 1977, p. 41).

Once signed by both parties it provides an effective protection on every point covered in the provisions. This is one contract available to the design business, it provides several important aspects covered in the design project. The confirmation of the purchase proposal may be a part of the services. A deposit requirement then becomes part of the letter of agreement with signatures of both parties--the client and the design firm.

Both parties must agree on the financial terms of the design project. There is no standard method of payment as there is no standard job, each job payment should be developed to fit the needs of the client and the firm. Some possible methods available are: (1) retail basis, (2) cost plus percentage mark-up, (3) percentage off retail, (4) flat fee, (5) flat fee plus percentage of cost, and (6) hourly or per-diem fee (Siegel, 1977, p. 55). These variations permit design services to be provided with or without purchases. The definition of the type of design service is essential at the beginning of the contract relationship.

Clients are the backbone of every business, and so it is with the interior design business (Murphy, 1975, p. 49). Clients must believe in the design firm and that the firm will do their best to fulfill the needs and wants of the client. Since the field of interior design is primarily a service business involving personal contact with people, a rapport between both parties in the designer/client relationship is essential (Murphy, 1975, p. 49).

Management is a function of any business and not only is involved in employee actions but in budgeting, purchasing, receiving, accounting and

marketing. This section is not concerned in the accounting and marketing management.

Regardless of the size of the project, planning which can be converted to a budget is necessary (Warner, 1959, p. 178). Each individual design project has to be limited to the budget of the client. After his budget is determined, then proceedings can begin.

Budgets not only refer to projects but in every other phase of the business. The accountant usually sets the appropriate limit that can be spent on other areas of the firm.

The relationship between the owner/manager and the employee can often play an important role of a firm's success. Employees need to be motivated in their position which can be accomplished through an increase in responsibility and direct control. Encourage self-guidance and self-discipline by your employees rather than exercise direct control (Allen, 1968, p. 129). In the design business, employees should be more independent and have more of a voice in the project decision making. Usually a designer will have their own project to design with the approval of the client and he makes the decisions regarding the job.

Purchasing can be accomplished through ordering by phone, mail, at market centers or with sales representatives. Ordering with the appropriate supplier requires time and consideration to get the right product. A result of poor relations with the client can occur if your supplier delivers the wrong item or if it is damaged or of low quality.

In receiving merchandise ordered from suppliers, it should be checked immediately for possible freight damages. In case of damages, a report should be submitted to the freight company as soon as possible. Some forms of receiving are truck, mail, air, ship, or rail. A firm must choose the

best way of shipment for the particular product. Freight and shipping are a huge cost item and must be budgeted accordingly.

One of the first tasks of any new business is the deciding which form to use: individual/proprietorship, partnership, or corporation. A fundamental consideration in the choice of the best possible form of business organization is the relative tax cost of doing business in the various forms which may be utilized (Sarnier, 1956, p. 47). Each form has its advantages and disadvantages, they should be reviewed and analyzed before deciding which to use.

CHAPTER III

MODEL DEVELOPMENT

The researcher has reviewed the literature to develop a business organizational model for small interior design firms. The major areas of interest are: the business environment, legal aspects, financial areas, management functions, inventory control and the marketing of interior design. All of these aspects formulate into a model of business organization.

Business Environment

In reviewing the environment of any business, several areas must be looked at. The population of the community is important in that the size must be large enough to support the design business. For if it is not, the owner may want to reconsider the decision of locating there. Also, the income distribution is important. If the income level is not very high and the distribution of it is limited, there might be a good possibility the population's income can not support a design business.

The firm's competitors should also be reviewed. If there are several successful competitors, the demand for another similar company in the community might be lessened. On the other hand, if the supply of good successful design firms is low this causes the demand to increase. Competition can be a threat to the success of the com-

pany but if it is analyzed thoroughly, the problem should not be as bad, for it can then be handled correctly.

The location of the firm should be analyzed by conducting a market survey. It can be done by surveying the other businesses in the field. Also, the closeness to major highways and heavily traveled streets is helpful in the accessibility of traffic. Some firms believe shopping centers are the best location whereas some prefer the professional image of a business building. An individual store type setting is successful for others. No matter where the design studio is located, it should be close to the population and have easy access for traffic. After deciding the overall economic environment in the industry, you need to study the business climate for your business in the area in which you would like to operate (Tate, et. al., 1975, p. 66).

Legal

Legal counsel should be maintained in case any situation should arise. In starting a design firm, a lawyer should be contacted to draw up the papers. The lawyer should register the company with the necessary authorities in accordance with the laws.

Financial

The interior design firm must have a good financial condition or it will not succeed. An accountant should have an active position in the design firm. The banking facilities must be chosen with extreme caution. Proper insurance coverage is very necessary. The capital requirement and its sources is very important to know and

understand for the business to begin. Accounting records and terms are vital to the firm. Planning for profits and budget control should be maintained. All of these areas are of utmost concern to the business and each will be discussed in detail.

Accountant

An accountant should be used regularly in the design field. He or she can be very helpful in advising or consulting the owner in various areas. The profit and loss statements along with the balance sheet should be prepared by the accountant on a regular basis. The profit and loss statements need to be seen monthly to see if the firm is making a profit or loss. In case of a loss, possible changes can be made. Balance sheets need to be prepared at least every six months if not every three months. He or she can organize the bookkeeping records and get them started. The accountant can register with the taxing authorities prepare the various tax forms and also, in reference and guidance for the firm.

Banking Facilities

Choosing a bank can involve several factors. The banker is just as important as the bank because he or she can be a great help in advising, consulting and influencing the bank in the extension of credit. The banker must also believe that the applicant can get along without the money (Allen, 1968, p. 22). The bank definitely must be a reputable firm because in the eyes of the public a good reputation means a good business. It helps if the location is close to the business but is not necessary unless it is several miles away.

Insurance

The principal value of insurance is its reduction of pure risks (Tate, et. al., 1975, p. 466). As in the importance of choosing a good banker, it is just as important to get a reliable insurance salesman along with the coverage. Some guides to buying insurance are the financial characteristics of the insurer and the flexibility of the coverage. Another guide is the services rendered by the agent such as the contacts, professionalism and the help in time of loss (Tate, et. al., 1975, p. 467). Types of coverage that can be carried are fire, theft, casualty, general liability for the owner, employees and the client, workman's compensation (if there are any employees) and employer liability, business life insurance and business owners insurance. Two other types that can be carried are fidelity and surety bonds.

The contractor shall purchase and maintain such insurance as will protect him from claims which arise out of or result from the operations (AIA handbook, 1970, p. 3).

Insurance of some kind should be retained simply to protect the owner of the design firm.

Capital Sources

There are many places sources of funds can be obtained. Much thought must be given to the particular source. A wrong decision can hurt the company in future actions. The owners own funds is an excellent source if it is available because nothing is owed to anyone except to the owner. Other individuals are a possibility such as, friends, financial institutions and bankers. The Small Business Administration (SBA) is another if the funds can not otherwise be

attained (SBA Bulletin, 1977, p. 2). A direct loan, a participating percentage loan, a 90 percent guaranty are the different kinds of a SBA loan. The SBA has a limit on how much profit can be made, how fast a firm can expand and places a limit on many other areas. As, with any government activity, miles of red tape and paper work has to be met. The SBA works directly with the bank to give a loan. An application has to be filled out correctly and with the proper qualities or the application will be refused. The Small Business Administration charters another lending institution, the Small Business Investment Corporation (SBIC), for every dollar the SBIC loans the SBA matches it.

The capital requirements should be analyzed with great care and precaution. All parts of the venture must be looked at and with nothing left out. If the requirement is too large, the owner might want to reconsider the decision. The other way, a low capital requirement could mean a shabby business also.

Accounting Records

Accounting records are important even in the smallest and simplest enterprise because they yield the fundamental facts which the businessman must use to appraise his success and to reach decisions about future operations (Preston, 1962, p. 36).

Accounting records are so very important to the success of a design firm, for if proper records are not maintained, failure is inevitable. Every transaction of any kind must be kept and recorded in the proper place. The sales record is one in which all sales are entered. Totals can then be tallied and transferred to the income statement. Sales records can also be used to analyze the trends in sales. Whether they be cash, credit, or bank club cards, records should be kept for each individual sale.

The cash income and outgo record accounts for those services being sold and the buying of minor things. A standard amount of money should be kept for petty cash items to start each day with. The balance should be reconciled each day. Deposits can be registered in this journal and in the checkbook.

The accounts receivables are posted to each individual account then to the accounts receivable journal. Then, when payments are made, credit is given to the client. Bad debts can present a problem to the design firm and can be kept to a minimum. If they do pose a problem, the late accounts can be turned over to a collection agency. Most collection agencies charge at least 50 percent of the bill. Getting a portion of the money is better than nothing.

Accounts payables should be filed in a folder divided into the days of the month. This enables the owner to keep a day by day record of which bills need to be paid by each due date. It also allows him or her to file the bill according to possible discounts; for example, a bill is received the first of the month and reads 2/10, n/30, this means a 2 percent discount is received if paid within ten days or the balance due in 30 days. This can save several dollars so it is a good practice to follow.

Efficient expense records should always be kept. Accurate accounts can show if too much is being spent on certain items and what expense areas can be decreased. Expenses occur from purchasing goods and services from other sources. Utilities, rent, and office supplies are usually considered in the overhead expense. Overhead is normally a semi-fixed expense for each month so it is expected. It is the unexpected costs that can hurt a firm.

The financial statements, profit and loss statements and balance sheets, are so very important. Without these to show the progress of each period, the firm may never know where it is financially. The profit and loss statement is net sales less cost of goods sold equalling gross profit less total expenses equals net income (Tate, et. al., 1975, p. 422). If prepared monthly, it can show the change in income, the pattern of growth and also which expenses are too high and which can be decreased. Not enough importance can be placed here, it is so very important that the profit and loss statement is prepared regularly, preferably once a month.

The balance sheet is equally important; however, it does not need to be prepared as often. It should be done annually at the least, if not semi-annually. The totals of the liabilities such as, accounts payables and mortgage payable, plus net worth; capital stock and retained earnings, equals total assets; cash, accounts receivables, inventory, equipment, building and land. The balance sheet explains the capital structure of the firm.

Accounting Ratios

Important ratios reflect the actual financial situation of the company. These can explain deficiencies in the structure. Some of the more important ratios to the interior design business and their meanings are:

- (1) current ratio - the relationship of current assets to current liabilities. Assets must be more than liabilities for a firm has to pay its debts.
- (2) acid test - this is the current assets minus inventory to current liabilities. It is a further check on the debt to assets for if the inventory is subtracted from the assets then the assets can not be liquified as quickly to pay the debts.

- (3) inventory to working capital - it provides an idea of the riskiness of the firm's ability to make current payments.
- (4) collection period - the relation of accounts to average daily sales. This shows the collection rate of the accounts receivables. If too many payments are made after the specified date of payment, then the collecting system might need to be changed or a collection agency be hired.
- (5) net sales to working capital - this ratio expresses the availability of working capital to net sales. Each phase must increase or decrease proportionately with the amount of working capital.
- (6) long term liabilities to working capital - this relates the amount of long term liabilities to working capital. A firm should not maintain a large amount of long term debt for the risk is entirely too great (Tate, et. al., 1975, p. 425).

These ratios are not the only ones used to evaluate the financial situation of a firm but for this study they will be sufficient.

Profit Planning

Planning for profits can be a useful tool in making a profit for the firm. If a design firm does not do any type of planning, what's the use of being in business? Planning needs to be done for everything. A good place to begin is in establishing a profit goal to work toward. Once a goal is determined, then the sales volume can be proposed. A level of expenses should be set for the sales volume and a cost estimate can be made. Changes in profits can be related to possible changes in sales. Alternatives and plan changes can then be determined to have a selected system to fall back on.

Budgets

The use of budgets can be very helpful in fulfilling the profit

goal of a firm. A budget is similar to a control system, in that the company is able to find the trouble areas. It can be used as a planning tool, also. Some types of goals are: sales, which can be determined by past experiences and can be checked with the actual sales periodically; a cash budget being estimated by the past cash requirements; a credit, collections, and accounts receivables budget showing the different accounts and which ones are late; and a general expense budget explaining the major expenses and which can be eliminated. Regardless of the size of the project, planning which can be converted to a budget is necessary (Warner, 1959, p. 178). The use of budgets can be an extreme assets to the design firm and can be incorporated into its financial structure.

Management

Management is such a broad field that it entails all areas of the design firm. It is not thought of when one hears accounting, marketing and business environment but it is just as active in those areas as well as in planning, organizing, directing, controlling, evaluating and employee managing. The owner of a small interior design firm has to carry a heavier load than a large firm in that he or she does it all unless a manager is employed. This is the reason all of these areas will be discussed in full.

Planning

Planning is choosing the future course the firm will follow. Plans can be drawn in short or long range depending on the owner. In both cases the length of the range must be determined, whether the short range is yearly, three years or longer. It includes the company's goals and

objectives and selects the proper direction to aim at. Planning can be accomplished with each project or activity, also. What ever type of planning is chosen, it must be done with a careful analysis of the past and the goals and objectives.

Organization

Organization can be achieved with the firms written records and the physical activities necessary to attain the goals and objectives. The records should be kept clear and concise at all times along with being neat and orderly for easy access and understanding. Each design project can be achieved with a flowing pattern only if it is organized from the very beginning to final product. A flow chart can be established to explain each stage of production and the estimated day of each state. While doing this, the goals and objectives will be accomplished with little worry. Without any kind of organization, the firm might very well fail.

Employee Management

Employees need some guidance and supervision of their responsibilities and actions. It can be achieved by directing them with good leadership, a two-way flow of communication, motivation with incentives, additional responsibilities, and through mental stimulation. It is human nature to want to do good and be appraised for it. An effective evaluation system is very helpful in increasing employee performance and moral. One such program is the Management by Objectives (MBO) system. A general description of MBO is to first set overall objectives for the firm that are realistic and attainable (Tate, et. al., 1975, p. 148).

Next, each employee is asked to set their individual objectives then they meet with the employer to discuss them. Periodically, each individual meets with the owner and the performance according to the objectives are reviewed. This management plan is believed to be one of the most effective approached.

Compensation

Compensating the employees in an interior design firm differs within each firm. Straight salary, either hourly, weekly or monthly, is one form but used rarely. Commissions on each design project is a popular method. The employee receives a certain percentage of the final project cost. Commission payment after a set quota is met is also a form but not used as much as the straight commission. Compensation methods should be agreed upon between the employee and employer.

Inventory

Inventory is an expensive investment to the design firm. It must be controlled accurately and completely. This is an area that is also very important to the design firm in that if proper records are not kept the company can lose a large amount of money. Inventory control includes purchasing and receiving.

Purchasing

Purchasing should be done in relation to the necessity of the item. If the product is to be custom made, it must be special ordered. Purchasing is done through the market centers, sales representatives, individual orders and others. Having reliable sources of supply can be of

great importance to the quality of the merchandise and also the price. The purchases can be placed by either phone, mail, sales representatives or at market. In most instances if the order is not placed in person the supplier requires a written agreement.

Purchasing should not be done until a written statement from the client is obtained. Purchase proposals need to be used and confirmed. The confirmation should include the written agreement before any proceedings begin, a safeguard against any loss, and copies signed by both parties. The proposal is a wise practice to use in that it will protect the owner against any possible law suit.

Receiving

Merchandise can be received by truck, plane, postal mail or UPS and by rail. Freight charges are increasing rapidly; therefore, the merchandise needs to be shipped in the cheapest and most efficient way. In case of any damages, claims should be filed immediately with the freight company. If possible, the merchandise can be opened on the spot to check for damages.

Marketing

The marketing of the interior design business is similar to any businesses' marketing, the main concern is the client not the sale. The needs of the client should always be met first. Without the client, there is no demand for marketing and consequently, there will be no business. Marketing is concerned with every stage of the adoption process from the initial awareness there is a need for the designer to the follow up stage after completion whether the client is happy or why not.

Advertising

A concern of advertising is to make the client aware of the design business and that he or she might have a need or want for the services rendered. Advertising can be achieved through several medias; television, radio, newspaper, direct mailing, magazines, referrals from past and present clients and many others. Any promotion that is done must be consistent, clear and concise. The basic principles that the advertising copy should contain are (1) brief, (2) clear, (3) apt, (4) interesting, (5) personal, (6) sincere, and (7) convincing (Steinmetz, et. al., 1963, p. 484).

Client Contact

After contact is made with the client and he or she does decide on the specific design firm proceedings can begin. The first meeting is usually held in the designer's studio and in the project location. At this time the designer defines the financial requirements and also discovers what the client wants and doesn't want. This is when the client is given the confidence that the firm chosen was the best.

Service Contracts

A contract should be made with every client and every included item be agreed on. Both parties should sign it after completely reading it. Some items the contract should include are the description of all services to be covered, any deposits or retainer fees, time sequence and manner payments, freight charges, and any reimbursement of possible expense (Siegel, 1968, pp. 39-40). This simple piece of paper can protect the design firm from any legal action the client should decide on.

In compensation for the designers services, the firm can use the retail basis which is the retail price of the item, flat fees or flat fee plus a percentage, the cost of the product plus a percentage, a percentage off the retail price or by an hourly basis. The firm will usually have a particular method it prefers. However, depending on the individual job, it may choose a different form to follow.

Subcontractors

In the interior design business, subcontractors are used frequently. Some type of liability insurance can be carried to protect the firm from negligence of the contractor. Choosing the best person for each job such as paper hangers, carpet layers, constructionists, etc., need to be done with care and caution. The right person for the right job is necessary to complete a project to the satisfaction of the client.

Finished Project

After all the drapes are hung, the tile laid and the accessories placed, the design project is finished, if the client is happy. But, what if the client is unsatisfied? It is the job of marketing to see why and what can be changed to make him pleased. The contact with the client after production is just as important as the initial stage. The design firm should always be certain that a client is happy so later the firm can go back to the client with ease and certainty.

All of these areas are combined into the organizational analysis model. The business environment, the legal aspects, the financial areas, management functions, inventory control and the marketing of interior design are all explained in detail and are developed into the following

organizational analysis model.

Organizational Analysis Model

- I. Overall Objectives - The objectives are the ends toward which all the activities of an organization will be aimed.
 - A. Service: Perform service to society by producing and distributing goods or services to the public. Having a fair price for the client and adequate profits to the owner. Maintaining quality aesthetic values to the client.
 - B. Profit: Compensation for the owner's acceptance of business risks and for the performance of economic service. It is needed for the continuity of the business.
 - C. Social Responsibility: Employees, suppliers, and the government should be served effectively as well as the customer.
 - D. Growth: The owner should be concerned with the firm's growth and select a growth objective to be periodically reviewed.

- II. Business Formation
 - A. Individual/Proprietorship
 1. company and owner are one identity
 2. owner receives all profits
 3. owner is responsible for firm
 4. unlimited liability for the owner
 5. income taxes are listed on the owner's tax return
 6. company name should imply that the designer has a firmly organized business

 - B. Partnership
 1. two or more people are engaged in the same business, sharing its profits or losses
 2. responsible for the actions of the partner
 3. unlimited liability of the company to the owners
 4. death terminates the firm unless stated otherwise

 - C. Corporation
 1. association of individuals created by law, having a continuous existence independent of its members, and powers and limitations distinct from those of its members
 2. limited liability of the owners to their investment percentage
 3. income tax benefits
 4. issuance of stock for capital

5. corporation is unaffected by death of any or all of the stockholders

III. Environment of the Business

A. Economic

1. What is the size and distribution of income within the population?
2. Is the sales volume of the firm growing, stabilizing, or declining?
3. What is the number and size of the firm's competition?
4. What is the success rate of the competitor's business?
5. What are the possible sources of supply?
6. What are the capital requirements to start the firm?

B. Location

1. business office
 - a. if location is in good business area it gives the impression of a good sound business
 - b. location of the office depends on the conditions of the community
2. shopping center
 - a. creates a heavier traffic flow
 - b. easily accessibility
3. individual store
 - a. it should have easy access availability
 - b. it also should be located fairly close to the population

IV. Legal, Financial and Administrative Structure

A. Legal

1. legal counsel should be retained to effectuate the preliminary formalities of a new business in accordance with the law
2. the need for legal counsel will continue to arise from time to time for decisions and formalities

B. Financial

1. Accountant
 - a. can be used as a consultant
 - b. can be used as an advisor
 - c. a Small Business Administration loan requires an accountant

- d. organization of the bookkeeping records
- e. preparation of the financial records
- f. preparation of the taxes
- g. registration with the taxing authorities

2. Banking Facilities

- a. the firm should have the banking facilities close to the location
- b. the banker can help in maintaining commercial accounts
- c. credit information can be provided
- d. the bank should be a reputable firm
- e. determine the services provided

3. Insurance

- a. the principal value of insurance is its reduction of pure risks
- b. types of insurance coverage
 - 1) fire
 - 2) casualty
 - 3) theft
 - 4) general liability
 - 5) workman's compensation and employer liability
 - 6) business life
 - 7) business owner's insurance
 - 8) fidelity bonds
 - 9) surety bonds
 - 10) automobile

4. Sources of Funds

- a. your own funds
- b. other individuals
- c. commercial banks
- d. Small Business Administration
- e. Small Business Investment Corporation

5. Methods of Evaluating the Firm's Financial Conditions and Important Ratios

- a. a comparison of the current value of ratios with those of the past
- b. a comparison of the ratios of your firm with other similar ones
- c. important ratios
 - 1) current ratio - current assets/current liabilities
 - 2) acid test - current assets minus inventory/current liabilities
 - 3) inventory to working capital - inventory/working capital

- 4) collection period - accounts receivables/average daily credit sales
 - 5) net sales to working capital - net sales/inventory
 - 6) long term liabilities to working capital - long term liabilities/working capital
6. Accounting Records - all transactions involving accounting information must be recorded so that your accounts will be "in balance". This system is known as the double entry system of accounting.
- a. sales - a record of each sale is kept
 - 1) sales slip is completed when a product is sold
 - 2) taxes must be recorded on all items sold
 - 3) sales are entered into a sales journal to show the daily balances and sales trends
 - 4) the totals are transferred to the profit and loss statements
 - b. cash income and outgo
 - 1) cash and credit totals must equal the sales income
 - 2) a standard amount of change is started for each day and reconciled at the end of each day
 - 3) checkbooks can be used as ledger accounts and each check can be entered into the cash journal
 - c. accounts receivable
 - 1) when clients buy using credit cards or open accounts, this can be entered on a file for them and in the accounts receivable journal
 - 2) as payments are received, the accounts and the journal is credited
 - 3) if accounts cannot be collected, they should be written off as bad debts
 - d. accounts payable
 - 1) these can be payments for materials, equipment, wages, utilities, taxes and office supplies
 - 2) they are recorded in a purchase and accounts payable journal and when paid, credited
 - 3) a folder of each day of the month divided into each day with the payments to be made and the due date filed accordingly
 - e. inventory
 - 1) records of the sales can help in accurately controlling the inventory by seeing what has been sold and what needs to be purchased
 - 2) some type of system has to be maintained

f. expenses

- 1) as purchases are made, these become expenses
- 2) if proper records are kept, you can see where expenses can be decreased

g. financial statements

- 1) profit and loss statements should be prepared monthly to show the current situation
- 2) balance sheets need to be prepared at least semi-annually

7. Planning profits

- a. establish a profit goal from the first
- b. determine a planned sales volume
- c. estimate expenses and costs with that level
- d. how do changes in costs vary with the change in sales

8. Design and Use of Budgets

- a. budgets are based on the planned profits
- b. what budgets provide
 - 1) guidelines toward your goals
 - 2) indications of where trouble exists
 - 3) planned actions which need to be taken during the year
 - 4) at planning time, the feasibility of the plans
- c. an effective budget system would include close controls in trouble areas
- d. types of budgets
 - 1) sales
 - 2) cash
 - 3) credit, collections and accounts receivables

C. Administrative

1. Management

- a. planning
 - 1) it is the selecting of the future courses of actions for the firm
 - 2) it can be of long range or short range nature
 - 3) it also can be concerned with specific projects
- b. organization - this includes deciding what activities are necessary to attain the objectives
- c. directing - this is the guiding and supervising of the performance and responsibilities of the employees

- 1) exercising leadership by an interpersonal influence, creating a good work climate and showing empathy
 - 2) communicating should be a two-way process, counseling should be an active part
 - 3) motivate the employee by mental stimulation, applying an incentive and knowing the needs of each on a personal basis
- d. control - the measurement and correction of the performance of the company
- e. evaluation - a good practice is the Management by Objectives, (MBO), after the goals and objectives of the firm are set, then each employee sets his own and are evaluated both by he and the employer
- f. compensation - this should be agreed on between the employee and the employer. Some possible methods are:
- 1) salary
 - 2) commission
 - 3) quotas plus salary

2. Purchasing

- a. determine the correct amount of merchandise needed for design project and order it from a reliable source
- b. good relations between the firm and the supplier is essential
- c. if freight damages occur, send a claim in as soon as possible
- d. inventory must be controlled in a manner that is accurate and recordable
- e. ordering - it can be accomplished by personal orders at market centers, by phone, by mail, or by sales representatives
- f. receiving - materials and merchandise can be received by truck, UPS or mail, railway or airplane

V. Marketing Services - The firm should meet the needs of customers. It should learn the client's likes and make them feel that you are interested in them. The design firm should give them extra services because the client will remember it and return or refer the firm.

- A. Advertising - is used to inform customers of the availability of your design services and to make the client become aware there is a need or desire for your services
1. It must be consistent in the times and numbers of ads. It also must be clear, interesting, and catching.
 2. The type of advertising for small interior design firms varies with the size, location and the extent of the market.
 3. Some types of possible advertising that are available are:

- a. radio
- b. television
- c. newspaper
- d. circulars
- e. direct mailings
- f. magazine
- g. other

B. Initial Contact with the Client

1. The first formal interview with the client is usually held in the studio and the client home.
2. Extreme caution needs to be taken so as not to oversell.
3. Financial methods should be discussed at this time.

C. Contracts

1. Service

a. contract agreement

- 1) description of the services to be covered
- 2) deposit and retainer fee requirement
- 3) time sequence and manner of payments
- 4) fees and compensation basis
- 5) services and goods from other sources than the ones preferred by the firm
- 6) extra services
- 7) freight charges
- 8) sales taxes
- 9) reimbursement of expenses

b. purchase proposal confirmation

- 1) client's signature before any procedure begins along with a deposit receipt
- 2) a safeguard statement to protect against excessive losses from irresponsible clients
- 3) made in triplicate with one copy kept by the client, one signed by both and held by the firm and the other held by the firm

2. Subcontractors

- a. insurance should be covered on the subcontractors
- b. can be employed by either the firm or by the client
- c. some types include carpet, drapes, tile, marble, and paper

D. Compensation methods

1. The interior design firm needs to consider the need to earn a proper financial return. A proper method for arriving at the means of compensation should be agreed upon by both parties.

2. Some systems available are:

- a. retail basis
- b. cost plus percentage mark up
- c. percentage off retail
- d. flat fee
- e. flat fee plus percentage off costs
- f. hourly and per diem fees

E. Billing and Collecting

1. Time of billing

- a. billing the client as each project is ready (cash on delivery)
- b. specific billing period
- c. if deposit is required, the rest can be paid in phases

2. If a client refuses to pay his bill, the balance can be turned over to a collection agency.

CHAPTER IV

CASE FINDINGS

The findings from each individual interview are discussed in full detail according to the components of the organizational model shown at the end of Chapter III. The description of each case study follows the questionnaire as closely as possible with a few changes in relation to the answers. A summary of all of the cases showing frequencies of occurrence for each component of the model is presented in Appendix A.

Case I

The first case study was Campbell Design Associates. The studio was located in an office building to produce a professional image and the owner did not want to change the locality. Campbell Design is a corporation and this organizational form was chosen for the income tax benefits and the limited liability of the owners.

Initiating client contact was not a major concern due to the constant inflow of clients. The first formal interview was usually held at the studio or at the project location. At that time, Mr. Campbell and the other designers took extra precaution so as not to oversell or undersell themselves. The clients expectations of the project were discussed along with the defining of the financial terms. A standard contract agreement was used including the following terms: a complete description of the services to be conducted, deposits, fees, compensations and extra ser-

VICES, time sequence and manner of payment, sales taxes, and a purchase proposal confirmation. The confirmation had to be signed by both parties and the deposit received before any proceedings started on the project. Also, a statement safeguarding the firm against irresponsible clients was signed and a triplicate copy of the proposal--one being sent to the client, one signed by both parties, and the other retained by Mr. Campbell. Each individual client was charged differently depending on the nature of the project, either at retail plus, cost plus a percentage or on an hourly basis. All clients were billed at the end of each job. In maintaining contact after a project was completed, Campbell Design Associates sent letters to the clients at the end of the year while having a social contact, also. Advertising was not used at all. Subcontractors were employed and these were the paper hangers, painters, constructionists, electricians, carpet layers and marble contractors.

Before the firm was started, a good market potential was perceived. The number of competitors and their size were analyzed by Mr. Campbell.

Campbell Design Associates was financed through personal funding. It was estimated \$10,000 would be the capital requirement to start the company. An accountant was used for the organization of the bookkeeping records, registration with the taxing authorities and preparation of the financial statements. The profit and loss statements were prepared quarterly. Mr. Campbell kept the sales records, the cash income and the outgo, the accounts receivables, the accounts payables, the inventory and the expense records. A sales slip of every transaction was retained. The accounts receivables were posted to the accounts receivable journal then, when paid, credited. Bad debts did not pose a real threat to the company. Any use of ratios was not included in the evaluation process

of the financial structure. Profits were planned by estimating a sales volume, which presently is growing, and possible expenses for that level. Also, the effect of cost changes in relation to changes in sales were explored and possible alternatives for any change in the original plan. The major overhead expense was salaries and were controlled by carefully given raises. The firm was thinking about a profit sharing plan for the employees in the future. Banking facilities were chosen on the reputation, the services provided and the convenience of the location.

Campbell Design Associates used a lawyer to incorporate and in drawing up contracts. Insurance coverage consisted of fire, theft, automobile, workman's compensation and employer liability, general liability and business life protection.

The employees are compensated by salaries. They are evaluated daily by a mental process of Mr. Campbell. Leadership and motivation are the means of directing the employees. Organization was achieved through a regular meeting of the staff.

Purchasing through the suppliers was mainly done by individual orders placed by phone or mail. Merchandise was shipped by truck or mail. Inventory was controlled by keeping inventory sheets and when the sheets registered low, it was then time to reorder.

The company's performance was measured through the analysis of the profit and loss statements. Future actions were planned mentally and by long range plans. The only budget that was used in the plan of growth was an overall general budget.

Case II

Case number two was a corporation located in a shopping center specializing in design services and purchases of accessories. A change in

location was not preferred because of the low rent. It is a corporate form because of the owner's preference and the advice of the lawyer.

The only initiating of client contact made was from the referrals of past clients. This was also the extent of the advertising. The first interview was held in the studio or in the client's home at which time the designer was careful so as not to oversell him or herself. The client's preference of what he or she wanted was discussed, fifty percent of the time the financial methods were defined at the first meeting. The firm has its own contract agreement which includes: a complete description of the services to be performed, deposits, and retainer fees, time sequence and manner of payments, the purchase proposal confirmation with the signatures of both parties, extra service fees, sales tax and freight charge inclusion, reimbursement of expenses, a statement of no cancellation of the special orders, notification of the client if a price changes, non-assumption of responsibility for delays beyond their control and no guarantee of the fabrics, materials or articles if the manufacture had not guaranteed it. The purchase order contained a written agreement from the client and a deposit before any procedure starts, a safeguard against excessive losses resulting from irresponsible clients and was made in triplicate--one copy for the client, one copy for the firm and the other signed by both parties retained by the firm. The client had to obtain all subcontractors except the drapery hangers and carpet layers which were employed by the firm. Service compensation was charged on an hourly basis and was due in full after the completion of the project. No system of maintaining client contact was used; however, it was not needed due to the continual return of the client.

An analysis was not made of the population or of the competition. A market survey of any type was not conducted.

This case was financed through personal funding. It was approximated that the capital requirements to start the firm was \$7,000. An accountant was used for registration with the taxing authorities, for the preparation of the taxes and in preparing the financial statements. The profit and loss statements were prepared semi-annually by the accountant. A person within the firm kept records of the sales, cash income and outgo, accounts receivables, accounts payables, inventory, and the expenses. A sales slip was kept of every transaction. The accounts receivables were not handled in great detail due to their low level and bad debts were not a problem to the firm. In evaluating the financial situation, ratios were not used. Profit planning was achieved by the establishing of a profit goal based on past experiences. An estimated sales volume was determined and the expected expenses for that level, the changes in costs in relation to the changes of sales were analyzed then alternatives were set in case of a needed change. The major overhead expenses were the employee's commissions. The firm chose its banking facilities on the services provided and the location convenience.

A lawyer was employed only when needed as a consultant and as an advisor. The types of insurance carried was fire, casualty, general liability, automobile, subcontractors and theft coverage.

The employees were compensated by the commissions on their sales. Organization was achieved through one person controlling the firm by directing and supervising the employees.

Purchasing was done at market centers, by individual ordering and sales representatives. The orders were placed by phone and mail and were received by truck, airplane, UPS and postal. Inventory control was accomplished through a check out system similar to a library card file. When the samples were out of date, they were then reordered.

Monthly cost accounting and the bookkeeping records were used as the performance measurement. Future actions of the firm were planned at the corporate meetings. Past experiences were used to determine the overall budgeting.

Case III

Case III was G. L. Carrington, Interiors. The firm was located in an individual store type setting. The location seemed very suitable in that a change was not wanted because of easy accessibility, good traffic, being in the middle of Metropolitan Tulsa and directly between two major highways. It was an individual proprietorship for the reason the owner wanted it that way for less bookwork.

Advertising with radio, newspaper and referrals was the means of initiating client contact. The first interview was usually held in the studio; however, on request of the client it could have been in the home. Mr. Carrington was careful to not oversell himself. At the first interview, the financial methods were also defined. The general concepts of what the client needs and wants were advised upon. A written contract was currently not used, but orally the description of the services to be covered were discussed along with the time sequence and manner of payment, purchase proposal confirmation with the signature of both parties, a statement of payment if the client wanted a product from another source, the fees and services and reimbursement charges on all expenses. A written agreement was received from the client before any proceedings start or purchase orders were mailed to the product source. In this understanding with the client, sales taxes and freight charges were also included. The retail basis was the compensation method and services charged by the hour were billed separately on request. Normally a cash on delivery payment

was required, but an extension of 30 days was granted if the client wanted. Contact was maintained with the client through an open house invitation at Christmas time, Christmas cards and telephone contact. In the use of subcontractors, paper and drapery hangers, carpet layers and some constructionists were employed by the firm.

A market survey was conducted before starting the firm by talking with clientele from the past and businessmen in other fields. Competition in the city was analyzed according to size and numbers.

G. L. Carrington, Interiors was financed by commercial banks and the Small Business Administration. The capital requirements were estimated at \$25,000 to start the firm now. An accountant was used by the company in advising, consulting, preparing taxes and registering them with the taxing authorities and preparing the financial statements. The profit and loss statements were prepared quarterly by the accountant. Mr. Carrington kept records of the sales, cash income and outgo, accounts receivables, accounts payables, inventory and expenses. Sales slips of every transaction were recorded in the sales journal. The accounts receivables seldom exceeded thirty days so bad debts were rarely a problem. After the client received the bill, it was posted to the accounts receivable journal and to the client's folder. Then, when payment was received, it was credited to both. Profit planning was accomplished through establishing a profit goal for the next three years. The sales volume, which was currently growing, was estimated along with the costs and expense level for that volume. The effect of changes in sales on the change in costs were analyzed then possible alternatives set. The major overhead expenses were rent and advertising. In controlling these, a high sales volume was needed. Mr. Carrington chose the banking facilities he used because of

the good relationship necessary with a banker and it was already carrying his personal account.

A lawyer was used only when it is absolutely necessary. The insurance coverage consisted of fire, theft, general liability, casualty and business owner's life insurance.

Purchasing merchandise was done through market centers, individual orders and sales representatives. Furniture orders were placed by mail and the others were generally by phone. Shipping was received by truck, railway and the United Parcel Service (UPS).

The firm's performance was evaluated from the books, and financial statements. No real planning for future actions was done except through a mental process. Budgets were used only by an estimation of the future based on the past.

Case IV

Case IV was Mai-Thai. It was an accessory store located in an individual store setting for the reason of customer convenience and a high traffic rate. The firm was located between two major highways and in the center of metropolitan Tulsa. Mai-Thai was a partnership because there was no real advantage of a proprietorship or a corporation and there was less bookwork involved.

Advertising was used in initiating client contact through radio announcements and newspaper ads. Clients came into the shop for the purchase of products. A written contract was not used because the firm specialized in the sale of furniture and accessories. The products were sold on a retail basis to the client who paid cash on delivery unless specified otherwise. Maintaining client contact was achieved through telephoning when new merchandise was received.

Mai-Thai was financed by commercial banks and the Small Business Administration. The banking facilities were chosen because the proprietor already had a personal account with the bank. Mr. Carrington estimated it would take \$25,000 to start the firm now. An accountant was used as a consultant, an advisor, registration with the taxing authorities, and the preparation of the taxes and financial statements. The profit and loss statements were prepared quarterly by the accountant. The firm kept records of the sales, cash income and outgo, accounts receivables, accounts payables, inventory and expense records. Sales slips were recorded of every transaction. The accounts receivables were posted to the accounts receivables journal and to each individual folder then, when paid, credited. Mai-Thai planned for profits by first setting a three year profit goal and determining a sales volume. After the volume was established, the costs were estimated for that level and estimates were made regarding how changes in costs affect changes in sales. Rent and advertising were the major overhead expenses and were controlled by an appropriate sales volume.

The firm used a lawyer for the partnership agreement and otherwise very seldom. The insurance coverage consisted of fire, theft, casualty, general liability and business owner's insurance.

A market survey was conducted prior to starting the firm by analyzing businesses in similar fields and their success rates. When the firm started, there was no other similar firms in Tulsa.

Purchasing was done through the personal ordering of merchandise from abroad. It was shipped to the firm by ship, truck, railway and UPS. Additional merchandise was received every three months. Inventory was controlled by keeping an inventory record every 12 months.

The records, books, and financial statements were the evaluation system to measure the firm's performance. Mai-Thai planned for the future to build into a direct importer to sell nationwide. Budgets were really not used in the plan of growth.

Case V

Case V was Burnetts, Inc., which specialized in accessory items. Its location was one which the owner did not want to be changed due to heavy flow of traffic. It was easily accessible to the public. Burnetts was chosen a corporation because of the continuous existence independent of its members, the limited liability of the owners, income tax benefits, the issuance of stock for capital and the liability to damages from the delivery trucks.

Initiating client contact was accomplished through the use of advertising with radio, weekly newspaper, holiday circulars, direct mail and the telephone directory. A standard purchase agreement was used containing a description of the item, price and place of delivery. The clients were billed monthly on a retail basis. Mailing of selection guides was the way contact was maintained with clients.

Burnetts was financed by personal funding and other individuals. It was stated, approximately \$35,000 would be needed to start the firm. The banking facilities were chosen by the services that were provided and the reputation of the bank. An accountant was used as a consultant, an advisor, through registration with the taxing authorities and by preparation of the taxes and financial statements. Profit and loss statements were arranged monthly. The firm's bookkeeper kept records of the sales, cash income and outgo, accounts receivables, accounts payables, inventory and

the expenses. A sales slip was kept of every transaction. Accounts receivables were posted to each individual account and to the journal. When these were paid the accounts were credited. Bad debts, if due over six months, were turned over to a collection agency. If collected, Burnetts received one-half of the amount. The financial structure was evaluated by comparing the present ratios to the past. These included the current ratio, the acid test, inventory to working capital, the collection period, net sales to working capital, and long term liabilities to working capital. Profits were planned by establishing a profit goal based on a running record of the processes and a ten percent per month increase in sales. A sales volume, which is growing rapidly, was then estimated along with the cost relationship and the effect of cost changes on a sales change. Overhead costs included salaries, utilities, supplies and upkeep on the delivery trucks. A high sales volume would keep these under control.

A lawyer was used by being present at the stockholders' meetings and drawing up the corporate papers. The types of insurance were fire, theft, automobile, casualty, general liability, workman's compensation and business life insurance.

Employees were compensated by salary. They were directed and guided by the organization of the activities.

Merchandise was purchased at market centers, through sales representatives, individual orders, and local wholesalers. Purchases were ordered by phone, mail and sales representatives. These were received by airplane, truck, UPS and postal mail. Inventory was controlled by keeping records and ordering when it was low.

Measurement of the performance was done by accurate bookkeeping. Long and short range planning was used relative to future growth. Ex-

pense budgets also helped in the planning for growth.

Case VI

Case VI was a design firm located in a small shopping center. A change in location was preferred to a larger shopping center for a heavier traffic flow. It was an individual proprietorship because of less paper work and a corporation would not be of any help to their success.

Advertising was not used except through referrals, trade shows, a sign in front of the firm and bidding for commercial work. Bidding for projects was their initiating of client contact. The first interview was held in the client's home and in the studio. It was at this time the designers took extra precaution not to oversell themselves. The client's needs and pleasures were discussed along with the financial methods. The service contract included: a complete description of the services to be covered, deposit requirements, time sequence and manner of payments, fees of extra services, purchase proposal confirmation with a signature from both parties, a statement of the procedure if the clients wanted a product from another source, sales taxes, freight charges, expense reimbursement and time allowances. The subcontractors that were used are paper hangers, painters and upholsters. Clients were charged on a retail basis, cost plus a percentage and hourly depending on each project. The client is billed if the project was finished within six weeks, if otherwise, then it was paid in phases. No maintenance with clients was done after a job was finished.

The firm was financed by personal fundings and commercial banks. It was estimated \$30,000 would be required to start the business now. Banking facilities were chosen by the services that were provided. The firm did

not use an accountant. The owner kept records of the sales, cash income and outgo, accounts receivables, accounts payables, inventory, expenses and the financial statements. Profit and loss statements were prepared semi-annually. Sales slips were recorded of every transaction. A running record of each job showed the firm's profits and losses. In the case of a bad debt, the client was called a few times, then forgotten. Profits were planned for by establishing a profit goal through an estimation of the sales volume. Expenses were figured and how changes in costs could affect a change in sales volume. Alternatives and possible changes in plans were set. Rent was the major overhead expense.

A lawyer was used only in advise for contracts and collections. The firm did not carry insurance of any kind because they felt it was not necessary in their business.

The size and distribution was not analyzed prior to starting the business. Competitors' size and number was surveyed. The sales volume was growing.

Employees were paid by commissions. They were evaluated mentally by the owner based on their effort, initiative and accuracy. Direction and supervision was accomplished through leadership, organization, motivation and communication through brainstorming.

The success of the firm was measured by the profits. The future actions were planned by long and short range goals. The use of budgets evaluated the operating costs.

Case VII

Case VII was The Cottage Interiors, Inc. It was located in a shopping center and the only change that could possibly be wanted was to re-

design a large old house in the area by Utica Square. The firm was a corporation for the tax advantages and the professional image it portrays.

Advertising was used for initiating client contact by newspaper articles, the telephone directory and personal references. The first interview was held at the studio with the client's budget and the financial methods discussed. It was at this time the designers took extra care as not to oversell themselves. The firm has its own service contract agreement with the client. It contained a description of the services to be covered, deposit requirements, time sequence and manner of payments, extra fees, sales taxes and reimbursement of expenses. A purchase proposal was also confirmed. It was a written agreement that has to be signed and a deposit received before anything starts. Also, it was made in triplicate with one copy sent to the client, one signed by both parties and kept by the firm and the other held by the firm. Draperies, carpets and paper hangers were the subcontractors employed. Compensation was based differently on each job, but accessories were sold on a retail basis. The client was billed ten days after the project was finished with a two percent discount if paid before the ten days was over. Maintenance with the client was done through telephone calls and written correspondence.

The Cottage Interiors, Inc., was financed by personal funds. It would take approximately \$35,000 to start the firm now. The banking facilities were chosen because of personal services received. An accountant was used by consulting, advising, registration with the taxing authorities and preparation of the taxes and the financial statements. Profit and loss statements were prepared every quarter and balance sheets every thirty days. The owner kept records of sales, cash income and outgo, accounts receivables, accounts payables, inventory and expenses. A sales slip was

kept of every transaction. Accounts receivables were handled by being posted to a journal and each individual account and when paid, credited. The financial situation was evaluated by the current ratio, the acid test, the inventory to working capital, and net sales to working capital ratio. A comparison of the present ratios to those of the past presented the financial structure. The firm planned for profit by establishing profit goals, sales volume and costs. The major overhead expenses were rent, utilities and sales commissions.

A lawyer was used in advising and to incorporate the business. The types of insurance carried were fire, theft, casualty, general liability, workman's compensation, business life insurance, automobile and business owner's insurance.

The employees were compensated by commissions of their sales. They were directed and supervised by leadership, communication, motivation, and organization.

Purchasing was done through market centers, individual orders and sales representatives. The orders were placed by phone and mail and received by truck and UPS. Inventory was controlled by record sheets and journals, when it was low, it was reordered.

The firm used long range planning for its future. General budgets and sales budgets helped in the planning of future growth.

Summary of the Case Findings

The interviews were separated into four major sections following the model: service, profit, social responsibility and growth; all were the supportive objectives of the seven firms. Each objective seemed to be very important in the separate cases.

The findings from each case were then divided into four other sections, the first being business formations. Of the seven firms, two were individual proprietorships, one a partnership and the other four consisting of corporations. The three other than corporations were so because of the great amount of paper work involved in a corporate structure and the corporations were so because of tax advantages.

The second section, entitled Environment of the Business, included the economic and location subsections. In the first one, fifty seven percent did analyze the size and distribution of income within the population and forty three percent did not. These did market surveys to determine if there was a demand for their services. In all firms, the sales volume was growing and at a rapid rate. Six of them realized their major competitors and the corresponding success rates. It was also found the sources of supply were fairly consistent between the firms, four used the Market Trade Centers, six requested individual orders along with custom orders, five ordered through sales representatives and four traded with other sources. In comparing the capital requirements, the totals ranged from the \$7,000 to \$35,000 because of a difference in inventories, overhead expenses and employee considerations. The locality of all the firms was fairly consistent with three being located in shopping centers, three in individual stores and one in an office building. Only one firm desired to change their location to increase traffic, all others were pleased with their existing location.

The next major section consisted of the Legal, Financial and Administrative Structure. All firms had used a lawyer at some time.

Only one company did not use an accountant, all others did employ one on a part time basis. Fifty-seven percent used the accountant as a

consultant and an advisor, 28 percent used the services for organization of the bookkeeping records and 85 percent with the registration with the taxing authorities, preparation of the taxes and the preparation of the financial statements, the balance sheets and profit and loss statements. An interesting fact discovered was four firms' accountants prepared the profit and loss statements quarterly and the others were compiled semi-annually.

In choosing a particular bank, only one firm decided on its bank because it was a reputable firm, five were concerned in the service that was provided, two wanted a convenient location and three used other criteria.

Only one company had no insurance coverage at all. 85 percent carried fire, casualty, general liability, and theft; whereas, 43 percent used workman's compensation and employer liability, business life and business owners, 57 percent had automobile coverage and 14 percent carried insurance for subcontractors.

In financing the individual firms, five used their funds, one was financed by other individuals, two had worked with the Small Business Administration and three had the help of commercial banks. There were only two of the seven firms that used a comparative ratio basis to evaluate the performance of the present to the past. No interview revealed any comparison of their ratios with those of other firms. In both cases that used ratios, the two used the current ratio, the acid test, the inventory to working capital ratio, the collection period, the net sales to working capital ratio. One hundred percent agreement was reached on the accounting records. All kept their own books except for the accountant preparing the financial statements. Sales records, including a sales slip for every

sale, cash income and outgo, accounts receivables, accounts payables, inventory and expense records were processed by each firm. All of the firms did plan for profits, 85 percent established profit goals, 100 percent determined a planned volume of sales, estimated the expense level for that volume and had determined changes in the costs with the changes in sales. Of the cases, 71 percent analyzed possible alternatives if the present plan failed or was changed and 57 percent had selected changes to rely on. Five cases used budgets in their organization. Only two had a sales budget and five used a general expense budget. Cash, credit, collection and accounts receivables were not budgeted by any of the cases.

Administration of a small was very important and included many areas. The first being management. Management was not only concerned with employees but in managing the operations of a firm. Six of the cases used long range planning whereas only two have short range. Specific project planning was not practiced by any of them and one case had other means. Two firms did not have any employees and consequently did not have an organization policy. Three of the others organized their workers by activity, two by function and the other one by other means. Again, the two without any employees had no directing system. The exercising of leadership and motivation was the means of directing of the other 43 percent. Good communication was held by 28 percent and 57 percent used organization. All seven cases did have some type of a controlling system. Compensation, the final phase of this section, of the employees was accomplished in different ways. Two cases used salaries and the other three compensated by commissions on sales. Four firms had a definite system of inventory control, one had some type of control, and two did not use any means of

control. Seventy-one percent of the cases ordered merchandise by phone and mail while 28 percent purchased with sales representatives or by other ways. In receiving their merchandise, all cases received materials by truck and UPS, two by airplane, postal and other ways, and four received by mail only.

Five of the cases had a means of initiating client contact and the others did not. During the first client interview, three of the firms stated they were held in their studio or in the client's home. Three cases showed it was conducted in the studio and two in the client's home only. At this time, all firms took extra care so as not to oversell. Financial methods were discussed and six included other aspects such as the client's budget.

Contracts were a major aspect of a client's project. Five firms used their own personal contract whereas, the others did not use a written contract. Included in the contract were descriptions of the services to be covered, deposit fees, manner of payment and the time sequence, five cases used a purchase proposal confirmation which contained: a written agreement to be signed before any proceedings start, four cases had a safeguard against irresponsible clients and a triplicate copy of the confirmation--one sent to the client, one kept by the firm, and the other signed by both parties retained by the firm, and five cases held the purchase proposal and order until the deposit was received; six of the cases had a fee and compensation requirements, three wanted a statement of the fees if the client wanted products from other sources than theirs, five had an extra service fee and expense reimbursement, only four required the client to pay freight charges, only five included sales taxes and three cases had other stipulations.

Subcontractors were employed heavily in the business of interior

design. Some that were used are paper hangers, marble, constructionist, painters, carpet layers and draperies. Five firms used a variety of these, some required the client to obtain their own or the firm hired them.

In compensation of design services, six cases used the retail basis and hourly fees, three had the cost plus percentage, one used a percentage off retail, one a flat fee or flat fee plus a percentage, and one had their own specific way. Only one company had a specific monthly billing period whereas one had their own system and the other five required cash on delivery. One of the seven firms revealed any problems with bad debts and it handled its problems with a collection agency.

Advertising, another phase, can be accomplished in several ways. Two of the company's used no advertising at all, whereas four ran advertisements in the newspapers and the telephone directory, one mailed circulars at the holiday seasons and direct mail monthly and two had their own advertising procedure.

CHAPTER V

SUMMARY

This research reflects the interest of the author in small interior design firms as business organizations. This area has been researched by the use of the case study method to test an organizational model; it is evident more research needs to be conducted for the business of interior design. Interior design and business can be incorporated into a field of study that is relevant to the success of a design firm.

An organizational analysis model was developed so that small interior design firms can improve their business expertise. The model can enable owners to analyze their firms from all possible business organization aspects. It can increase awareness of problems that may possibly occur in the future and help prevent their happening. The model can be used in place of a management consultant or specialist. It was constructed from actual business concepts as well as business theory. In this study the developed model helped small interior design firms analyze their organizations.

Seven cases were interviewed with a questionnaire consisting of business concepts in relation to interior design. All cases were located in Tulsa, Oklahoma, and each expressed a great deal of interest in the research project in relation to their field. Each case seemed pleased that their firm was chosen for the study and each willingly responded. Only one firm was less than very helpful and anxious to

to cooperate with the researcher. The researcher personally interviewed each case, so as to receive a complete understanding of the respondents' business. The study was not only of assistance to the researcher in developing and testing the model, but was an asset to the cases in realizing that knowledge of the business principles is necessary.

Conclusions

The responses of the seven firms reaffirmed the need for a knowledge of business principles and practices. The findings prove the application of the validity of the organizational model. The model was divided into four major sections: service, profit, social responsibility and growth. These were then separated into various subsections.

The objectives, service, profit, social responsibility, and growth, were goal oriented. The cases were comprised of two proprietorships, one partnership and four corporations. The individual proprietorships and the partnership had no desire to incorporate. It was said the corporation involved too much paper work and did not offer them any advantage.

In the economic environment, the locations differed from shopping centers, office buildings and individual stores. Most did some type of market survey and competitor analyses. This was done through talking with competitors, persons in related fields, accountants and lawyers.

In the legal, financial and administrative structure, all cases used legal services at some point in time; however, all but one firm employed a lawyer on a regular basis. Legal services can and should be very important to the design firm.

An accountant can aid in the success of a firm through the various services provided and should have an active position in the firm. One

such function is the preparation of the financial statements, these show the current financial situation of the firm and should be done by the accountant. Profit and loss statements need to be prepared monthly to evaluate the current financial structure. Only one firm did not use an accountant because it felt the need was not there and they could handle any type of problem that could occur.

In choosing the banking facilities, the reputation of the bank, services provided and the locality were important decision factors. The services provided was the major decisive factor in choosing a bank.

Insurance coverage is a necessity to a design firm, especially liability coverage. Interesting to find was that one firm did not carry any form of coverage. This was because they felt it was not necessary and would be of no assistance to them.

Financial evaluation can be achieved through the use of ratios and their comparisons. Only two cases used ratios. None of the firms compared their ratios with those of their competitors. They can be extremely helpful and need to be analyzed regularly for the firm that wants to earn a profit. Accounting records need to be a vital part of any business; if proper records are not kept, a firm may unknowingly destroy itself. Every case studied maintained records and prepared them themselves. This is so very important that each firm keep the records and books accurate and up to date. The model explains this need for a good bookkeeping system and the study reaffirms this.

Organizational planning of future actions through use of goals and budgets is a great asset to a firm. Monies can be allocated to each different phase of the business for proper expense control. Six

of the firms established some type of sales goals while some estimated total sales volume or expense levels. Five of the firms reported using budgets of some type, mostly expense budgets.

Management of the firm is conducted of the activities, employees, and of the entire structure. Activities are managed by organization, planning and direction. Six firms used long range planning while the other used short range. Employee management is achieved by proper compensation, motivation and organization. All firms had a control system for the firm and its employees.

Purchasing and inventory control must be done with accuracy. Inventory control is of great importance to the design firm because if not done properly, the balance sheet gives a distorted picture. Five cases used an inventory control of some manner. A low inventory level creates a need for purchasing. This can be done at market centers, by individual orders, phone, or by mail. Merchandise is generally received by truck, United Parcel Service, and mail.

Marketing, the final phase of the model, is concerned with the client first, then the sale. Advertising is a form of initiating client contact; all but two firms used advertising of some form. Contacts with the client must be made, either written or oral. In the first meeting with the client, six firms held it at their studio and all cases were careful of overselling and the financial methods were defined at this time.

Contracts are the results of contacts. A contract is the legal agreement between the client and the design firm. It specifies services to be covered, fees, deposit requirements, and various other aspects. Five cases used a written contract and the others oral. Fees can be

determined by several methods: a retail basis, hourly, a flat fee or cost plus a percentage. Subcontractors may be employed either by the firm or the client. After a project is finalized, some kind of contact with the client needs to be conducted to guarantee satisfaction of performance.

Implications

Each aspect of the interview was developed into an organizational model for small interior design firms. The model allows design firm owners to analyze their firm in many different areas from financing problems to advertising. The model explains procedures to follow, possible alternatives to situations and solutions to problems that could possibly occur. This organizational model combines both the business knowledge and the design expertise that evolves from the concept of interior design as a business and proves it is just as important a business as any other business. The research proves the validity of the model; it does work and is a viable instrument in the success of design business. The model has proven itself through the interviewing and through the research done in this area. The researcher also believes that every phase of the model is vital to the success of the business and must be understood in its entirety to create a better firm. The organizational model for small interior design firms was created to overcome problems and prevent others from happening in a manner that will enable owners to have a successful interior design firm.

Interior design is a business just as vital as any other business organization; therefore, the owners need to know the business principles

and concepts to create a successful profit earning firm. The researcher would like to recommend further study in this area. It is a relatively new field with very little research available. Interior design and business can grow together to become an exciting and interesting field. Business has to be incorporated into interior design firms to assure their becoming successful business organizations.

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APPENDIX A

INTERVIEW SCHEDULE

INTERVIEW SCHEDULE

- A. A firm's location, client contacts and contracts are the basis of a good design business, without these it can't provide adequate service.
1. Where is your firm located?
 - a. shopping center
 - b. high rise commercial building
 - c. store
 - d. other
 2. Would you consider changing your location? Why, or why not?
 3. How do you initiate client contact?
 4. In the initial contact with the client, do you participate in any of the following?
 - a. the first formal interview being conducted in the studio
 - b. the designer taking extra care so as not to oversell himself
 - c. define the financial methods
 - d. other
 5. What type of contracts for services do you use?
 - a. your own standard form of agreement
 - b. individualized letter of agreement
 - c. other
 6. Which of the following does it contain?
 - a. a complete description of the services which will be covered
 - b. an outline of the deposit and retainer fees
 - c. time sequence of payments
 - d. manner of payments
 - e. confirmations of purchase proposals with signatures of both parties
 - f. a statement including the payments if the client wants a product from another source than the designer's choice
 - g. a description of fees or compensation
 - h. a description of extra services and their fees
 - i. sales tax inclusion
 - j. freight charges

7. What subcontractors do you use?
 8. Do you have a purchase confirmation system?
 9. If so, does it include the following?
 - a. a written agreement from the client before proceedings start
 - b. safeguards against excessive losses caused by irresponsible clients
 - c. a triplicate copy of the confirmation; one sent to the client one held by the firm and the other signed by both parties
 - d. purchase orders held until the confirmation and the deposit are received
 10. The interior design firm needs to consider its ability to establish a proper base or method for arriving at fees or compensations. Which of the following does your firm use?
 - a. retail basis
 - b. cost plus
 - c. percentage off retail
 - d. flat fee
 - e. flat fee plus percentage of costs
 - f. hourly and per diem fees
 - g. other
 11. At what time in the design project do you bill your client?
 - a. as each item is ready - cash on delivery
 - b. specific billing periods
 - c. other
 12. If you use specific billing periods, when are they?
 13. Advertising is used to inform customers of the availability of your design services. How does your firm advertise?
 - a. radio
 - b. television
 - c. newspaper
 - d. magazine
 - e. circulars
 - f. direct mail
 - g. telephone directory
 - h. other
 14. How frequently do you advertise in each of these?
 15. Do you do anything to maintain contact with customers once they have purchased goods or services?
- B. Profits for the firm result from compensation for the owner's acceptance of business risks and for its performance of economic service.

1. Did you analyze the size and distribution of the surrounding population before starting your firm?
2. Is your sales volume growing, remaining stable, or declining?
3. If it is not growing, can you realize why?
4. Do you have an estimation of the size and number of your competitors or their success rates?
5. What capital requirements would it take to start a business such as yours?
6. Does your firm use an accountant? If so, how?
 - a. consultant
 - b. advisor
 - c. through the Small Business Administration
 - d. organizing the bookkeeping records
 - e. registration with the taxing authorities
 - f. preparation of taxes
 - g. preparation of financial statements
 - h. other
7. How did you choose your banking facilities?
 - a. reputable firm
 - b. services provided
 - c. convenience of location
 - d. other
8. Concerning your present financial situation, which of these criteria do you use?
 - a. comparison of the present ratios to the past
 - b. a comparison of your ratios to those of comparable firms
9. Which ratios does your firm use to evaluate your current financial situation?
 - a. current
 - b. acid test
 - c. inventory to working capital
 - d. collection period
 - e. net sales to working capital
 - f. long term liabilities to working capital
10. Which of these accounting records do you keep yourself?

a. sales	e. inventory
b. cash income and outgo	f. expenses
c. accounts receivables	g. financial statements
d. accounts payables	h. other

11. If your firm doesn't keep them, who does?
 12. Do you keep sales slips of every transaction?
 13. How do you handle the accounts receivables?
 14. How do you handle the writing off of bad debts?
 15. Do you prepare profit and loss statements? How often?
 16. How do you plan for profits?
 - a. establish a profit goal
 - b. determine the planned volume of sales
 - c. estimation of expenses for planned volume of sales
 - d. determine how changes in costs vary with sales volume changes
 - e. analyzing alternatives from a profit standpoint
 - f. selecting changes in your plans
 17. How do you establish profit goals?
 18. What constitutes your major overhead expenses?
 19. How do you control these to keep them at a minimum?
- C. Effective relationships between the firm and its employees, government agencies, and its suppliers should be maintained as well as with the client.
1. Does your firm use a lawyer? If so, in what functions?
 2. What type of insurance do you carry?
 3. How do you compensate your employees?
 - a. salary
 - b. commission
 - c. other
 4. Do you establish quotas or use them by means of compensation?
 5. Do you have an evaluation program for your employees?
 6. Directing is the guiding and supervising the performance of the duties and responsibilities of your employees. Do you follow any of these?
 - a. exercising of leadership
 - b. communication
 - c. motivation
 - d. organization
 - e. other

7. How do you organize your firm?
 - a. by activity
 - b. by function
 - c. other
 8. Do you have a control system you use to measure your firm's performance?
 9. How do you order merchandise from your Trade Sources?
 - a. market
 - b. individual orders
 - c. sales representatives
 - d. other
 10. How are these order placed?
 - a. phone
 - b. mail
 - c. with sales representatives
 - d. other
 11. How is the merchandise shipped to you?
 - a. truck
 - b. plane
 - c. mail - UPS or postal
 - d. other
 12. How do you control your inventory? At what point?
 13. How do you decide at what point to reorder merchandise?
- D. The owner should be concerned with the firm's growth and select a growth objective to be periodically reviewed.
1. What form of business do you have?
 - a. individual/proprietorship
 - b. associate status
 - c. partnership
 - d. corporation
 2. In choosing that form di you consider any of these facts?
 - a. individual/proprietorship
 1. company and owner are one identity
 2. owner receives all profits
 3. owner is responsible for all debts
 4. unlimited liability for the owner
 5. income taxes are listed on the owner's return

- b. partnership
 1. two or more are engaged in the same business sharing all
 2. unlimited liability for the other partner
 3. death terminated firm unless stated in formal agreement
 - c. corporation
 1. continuous existence independent of its members and powers and limitations distinct from those of its members
 2. limited liability
 3. income tax benefits
 4. issuance of stock for capital
3. In starting your firm, how was it financed?
 - a. your own funds
 - b. other individuals
 - c. commercial banks
 - d. Small Business Administration
 - e. other
 4. Planning future actions for the firm is part of good business. Which of these levels of planning does your firm conduct?
 - a. long range
 - b. short range
 - c. specific project
 - d. other
 5. Do you use budgets in your plan of growth?
 6. Which types of budgets do you use?
 - a. sales
 - b. cash
 - c. credit, collections, Accounts Receivables
 - d. other

APPENDIX B

BUSINESS FUNCTIONS REPORTED BY
SEVEN INTERIOR DESIGN FIRMS

BUSINESS FUNCTIONS REPORTED BY
SEVEN INTERIOR DESIGN FIRMS

Components of the Model	Number Reporting		
	Yes	Sometimes	No
I. Objectives			
A. Service	7		
B. Profits	7		
C. Social Responsibility	7		
D. Growth			
II. Business Formation			
A. Individual Proprietorship	2		5
B. Partnership	1		6
C. Corporation	4		3
III. Environment of the Business			
A. Economic			
1. What is size and distribution of income within the population?	4		3
2. Is sales volume growing?	7		
3. Size and number of competition?	6		1
4. Success rate of competition?	6		1
5. Sources of supply?			
a. market	4		3
b. individual orders	6		1
c. sales representatives	5		2
d. other	4		3
6. Capital requirements?	\$7,000 to \$35,000		
B. Location			
1. shopping center	3		4
2. store	3		4
3. other	1		6

Components of the Model	Number Reporting		
	Yes	Sometimes	No
IV. Legal, Financial and Administrative Structure			
A. Legal-use of a lawyer	6	1	
B. Financial			
1. Use of an accountant	6		1
a. consultant	4		3
b. advisor	4		3
c. Small Business Administration			7
d. organization of the records	2		5
e. registration with the taxing authorities	6		1
f. preparation of the taxes	6		1
g. preparation of the financial statements	6		1
2. Banking facilities			
a. reputable firm	1		6
b. services provided	5		2
c. location convenience	2		5
d. other	3		4
3. Insurance			
a. fire	6		1
b. casualty	6		1
c. general	6		1
d. workman's compensation and employer liability	3		4
e. business life insurance	3		4
f. business owner's insurance	3		4
g. theft	6		1
h. automobile	4		3
i. fedelity bonds			7
j. surety bonds			7
k. other	1		6
4. Sources of Funds			
a. own sources	5		2
b. other individuals	1		6
c. Small Business Administration	2		5
d. commercial banks	3		4
5. Methods of Evaluation			
a. comparison of current ratios with those of the past	2		5

Components of the Model	Number Reporting		
	Yes	Sometimes	No
b. comparison of ratios with those of competitors			7
c. ratios			
1) current ratio	2		5
2) acid test	2		5
3) inventory to working capital	2		5
4) collection period	2		5
5) net sales to working capital	2		5
6) long term liabilities to working capital	2		5
6. Account Records			
a. sales and sales slips	7		
b. cash income and outgo	7		
c. accounts receivables	7		
d. accounts payables	7		
e. inventory	7		
f. expenses	7		
g. financial statements			7
7. Planning profit			
a. establish goals for sales	6		1
b. determine volume of sales	7		
c. estimate expenses for sales volume	7		
d. determining changes in costs with change in sales	5		2
e. analyze alternatives	4		3
f. select changes	5		2
8. Design and use of budgets	5		2
a. sales	2		5
b. cash			7
c. credit, collections and accounts receivable			7
d. other	5		2
C. Administrative			
1. Management			
a. planning			
1. long range	6		1

Components of the Model	Number Reporting		
	Yes	Sometimes	No
2) short range	2		5
3) specific project			7
4) other	1		6
b. organization			
1) activity	5		2
2) function	3		4
3) other	1		6
c. directing			
1) leadership	3		4
2) communication	3		4
3) motivation	2		5
4) organization	4		3
d. control	7		
e. evaluation	4		3
f. employee compensation	2	salary; 3	commission
2. Purchasing			
a. inventory control	5		2
b. ordering			
1) phone	5		2
2) mail	5		2
3) sales representatives	2		5
4) other	2		5
c. receiving			
1) truck	7		
2) airplane	2		5
3) mail			
a) UPS	7		
b) postal	2		5
4) other	2		5
V. Marketing Services			
A. Initial client contact			
1. initiates client contact	5		2
2. first interview			
a. held in designer's studio	6	1	

Components of the Model	Number Reporting		
	Yes	Sometimes	No
b. held in client's home	5	2	
c. precautions of overselling	7		
d. financial methods defined	7		
e. other	6	1	
3. type of service contract			
a. own personal	5		2
b. other			7
B. Contracts			
1. service			
a. description of scope of services	6		
b. deposit requirement	5		2
c. manner and time of payments	6		1
d. purchase proposal confirmation	5		2
1) written agreement before proceedings start	5		2
2) safeguard against irresponsible clients	4		3
3) triplicate copy	4		3
4) purchase order held until it is received	6		2
e. fees or compensations	6		1
f. statement of goods from other sources	3		4
g. extra services	5		2
h. sales	5		2
i. freight charges	4		3
j. expense reimbursement	5		2
k. other	3		4
2. contracts			
a. subcontractors	5		2
C. Fees and Billing			
1. fees			
a. retail basis	6		1
b. cost plus percentage	3		4
c. percentage off retail	1		6
d. flat fee	1		6
e. flat fee plus percentage	1		6

Components of the Model	Number Reporting		
	Yes	Sometimes	No
f. hourly	6		1
g. other	1		6
2. billing			
a. cash on delivery	5		2
b. specific billing period	1		6
c. other	1		6
D. Advertising	5		2
1. radio	3		4
2. television			7
3. newspaper	4		3
4. magazine			7
5. circulars	1		6
6. direct mail	1		6
7. telephone directory	4		3
8. other	2		5

VITA 2

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Candidate for the Degree of

Master of Science

Thesis: A MODEL FOR INTERIOR DESIGN BUSINESS ORGANIZATIONS

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