

# SMALL BUSINESS

## Stylists leave salon with clients' phone numbers

► **DEBARE**  
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**Q:** I have owned a small salon and spa for 30 years and am having problems with new employees leaving and taking client phone numbers with them. This never happened in the past — I have three employees who have been with me for 20 years — but it seems the newer ones have no loyalty or appreciation for the culture we have created. I have trained each of these employees from the day that they got out of cosmetology school, and I am tired of seeing all my hard work go up the street and open a salon with my clients. How can I write a non-compete or non-disclosure agreement for new employees that will protect me against this?

— **Hairy situation in Yuba City**

**A:** If you're buying a business from someone, you can ask the seller to sign a non-compete clause promising not to start a new firm competing with you. The situation is different with workers: California law says you generally can't prohibit employees from competing with you after they leave your company.

You can make employees sign a confidentiality agreement, in which they promise not to take trade secrets like a client list. You can include a clause where they also promise not to solicit business from your clients. But here's the catch: Is your client list actually a trade secret?

Trade secrets are defined by state law as valuable information that is unknown to outsiders and that the company tries to protect. If all you're talking about are client phone numbers that could easily be found in the local phone book, they may not be a trade secret. And if you've left these client numbers lying around in an open appointment book on your front desk, it's even less likely that they would be considered a trade secret.

There are a few steps you can take to discourage your former stylists from poaching large numbers of clients, according to Margaret Hart Edwards, an employment attorney with Littler Mendelson in San Francisco:

Treat client information as if it

is confidential. For instance, keep client names in a password-protected database or lock the appointment book in a desk drawer when you're not using it.

Ask an experienced employment lawyer to draft a short confidentiality clause for the job offer letter that you give to new hires. Have your new hires sign the letter, keep the original yourself and give them a copy as a reminder if they quit.

Still, even these steps won't stop the normal process of clients following a favorite stylist to a new salon. At some point, haven't we all followed our favorite hairdresser or doctor or stockbroker when he or she has changed firms?

"If the stylist says, 'I'm leaving next week,' and a client asks her where, and she gives them the name of her new salon, that's a perfectly permissible communication," Hart Edwards said. "That is not unfair competition."

Step back for a minute and look at the work environment in your salon. Are there things you can do to create a workplace where these younger stylists want to stick around? Their career goals or priorities may be different from those of your longtime employees. If you can meet their needs, maybe you won't have to face as much turnover and business loss.

Finally, think about how you choose new stylists and if there are ways to identify candidates who are more likely to stay.

**Q:** I am a licensed contractor with a small landscape services business. I recently finished a long project — lawn and irrigation from scratch. I thought I had the estimate close when I gave the client the contract for the job, but it turns out I grossly underestimated the total cost (mainly the labor). I ended up losing about \$2,500 because the customer declined to pay the cost overrun. Do I have any legal recourse for the remaining money? Should I have requested a work-change order during the project, or do I need to just improve on estimates?

— **Larkspur landscaper**

**A:** Forget the idea of legal recourse. This was your mess-up, so legally there

is no basis for forcing your client to pay. It's also not a great business strategy to sue clients to cover the costs of your mistakes. (Imagine the marketing possibilities: "Hire my firm for a beautiful yard, and we'll throw in a lawsuit for free.")

A work-change order may not have helped in your case either. Contractors ask their clients to sign work-change orders for a couple of reasons: when the client requests a change in the scope of a job or when the job hits some unforeseen hurdle like a layer of rock under that lovely lawn-to-be.

"We ask for a signed change order when we run into something like underground piping that we didn't know about, and in those cases, most clients are pretty understanding," says Jay Tripathi, a landscaper who has owned Gardenworks in Healdsburg for more than 30 years. "It seems like this guy just blew it on the estimating end. If you can't do your job correctly, it's not the client's fault."

What you can do is make sure that all of your estimates include a little extra money to cover risks like this mistake. Tripathi factors in something between 2 and 15 percent in to his estimates, based on how complicated the job will be. "Eventually you are going to need it," he suggests.

You should also take steps to improve your estimating skills. Many people become contractors because they are terrific craftsmen but then find they need help with the business part of their business.

Trade groups like the National Association of the Remodeling Industry offer classes in various aspects of the contracting business. In your case, the California Landscape Contractors Association offers classes and do-it-yourself workbooks on how to improve your estimating and make money as a landscaper. You can find them at [www.clca.org](http://www.clca.org).

Think of your \$2,500 loss as an expensive wake-up call to polish your estimating skills.

Send your small-business questions to [mindyourbiz@sfnchronicle.com](mailto:mindyourbiz@sfnchronicle.com) or to *Mind Your Business*, San Francisco Chronicle, 901 Mission St., San Francisco, CA 94103. We can't respond to every question in print, but we will answer as many of them as we can.

## ALLBUSINESS.COM The Adviser

# Capital ideas for getting your young company off the ground

No business can survive without access to capital. There are several common types of business financing options available to young companies.

Angel investors are an excellent source of early-stage financing. They are often willing to tread where there is too much risk for banks and not enough profit potential for venture capitalists. Angels will invest for a longer time than other investors — up to three years or more. They may also invest smaller amounts — \$1 million or less.

Venture capitalists, by contrast, have stringent investment criteria and generally invest in high-growth technology companies. Because they want a way to cash out in three to five years, many venture capitalists shy away from very new businesses and rarely invest less than \$3 million to \$5 million at a time.

Accepting a venture capital investment also represents the potential loss of independence for owners because venture capitalists often take an active role on the company's board and may push a specific growth agenda.

Commercial loans are attractive because they don't require entrepreneurs to turn over equity or company control. But paying off debt can drain a young company with limited cash flow. New companies may not even have access to bank loans if they have no operating history and no collateral to secure the loan.

Businesses seeking \$100,000 or less, however, can often find loans through a simple application process focusing on the owner's personal credit history. Business owners with personal assets may also be able to obtain loans secured by those assets.

Small Business Administration loan guarantees can mean the difference between getting a bank loan and being entirely shut out. The federal agency loans no money directly. Instead, it guarantees a portion of individual loans made by private lenders.



### Checklist: What venture capitalists want

When VCs evaluate a business opportunity, they want to see that:

- You have a sound company strategy and business plan.
- Your management team has drive, ambition and relevant experience.
- Your target market is substantial and growing rapidly.
- You have a clear understanding of your business.
- You have a clear understanding of the competitive landscape.
- Your business has a proprietary or differentiated product.
- Your business can realize significant gross profit margins and significant revenue growth.
- Your business has the potential to be a home-run investment.

### Business tip: Don't fudge the projections in your business plan

Investors expect to see a business plan that paints a realistic financial picture of the anticipated growth of the company. If the plan is overly aggressive and inconsistent with growth in the industry, your credibility may be questioned.

Be realistic with your financial projections, and be prepared to explain how you arrived at the numbers.

# Google chairman post unfilled

► **VACANCY**  
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Google will hold its first shareholders meeting Thursday at its headquarters in Mountain View. The event is expected to be a formality.

Shareholders will vote on the slate of nine directors, among other things. No shareholder proposals are offered.

Google split the positions of chief executive and chairman last year, just prior to filing for its initial public offering.

The decision was part of a broader trend by companies to make boards more responsive to shareholders rather than a rubber stamp for management decisions.

In the absence of a Google chairman, Schmidt continues to call board meetings and set the board agenda.

Google's bylaws say that the chairman must be an outsider. However, the company left a loophole in cases when an employee has the support of two-thirds of the board.

Corporate governance experts said that it is unusual for a compa-

ny to have a chairman's position vacant for as long as Google has. Analysts wondered what is taking so long.

"It doesn't seem like something that should take 13 months," said Scott Kessler, an analyst for Standard & Poor's. "You kind of wonder what kind of priority this is for the company."

Google's bylaws make no mention of a deadline for filling the vacant chairman position.

Some corporate governance experts raised questions about whether Google is purposely delaying. They wondered whether Google split the positions of chief executive and chairman to make the company's IPO more palatable to investors without intending to fill the resulting vacancy until much later, so that management could push through its own agenda.

"Did they do a bait-and-switch before their IPO?" said Ben Her- malin, a professor of banking and finance at UC Berkeley. "That would be questionable."

Schmidt emphasized that Google's board operates independently. The outside directors often meet in private without management to discuss company matters, he added.

Google has received intense criticism over its management structure, which gives the three insiders on the board — Schmidt and founders Larry Page and Sergey Brin — overwhelming control.

The company has adopted a controversial corporate governance structure in which executives and directors hold stock carrying 10 votes per share, while retail investors get shares that count only for one vote.

Nell Minow, editor of the Corporate Library, a research firm specializing in corporate governance, said that Google's lack of a chairman doesn't factor much in to her opinion of the company. Even if the position were filled, she said, Google would get a failing grade based on its share-voting structure.

"Nobody thinks that they have good corporate governance," Minow said.

To be sure, many of Google's Internet industry peers have chief executives who are also chairmen. They include Yahoo, Amazon and IAC/InterActiveCorp.

Analysts said any future Google chairman would probably have a background in technology. They also mentioned that a media veteran would be a good fit because Google's advertising business is the source of virtually all the company's revenue.

Current Google outside board members were also mentioned as potential chairmen. But analysts generally called them dark horses.

Two of the directors, John Dorrer and Michael Moritz, are venture capitalists.

Another, Ram Shriram, was an early investor. Other directors include John Hennessy, Stanford University's president; Arthur Levinson, Genentech's chief executive; and Paul Otellini, who is about to become Intel's chief executive.

E-mail Verne Kopytoff at [vkopytoff@sfnchronicle.com](mailto:vkopytoff@sfnchronicle.com).

### SHIP TRAFFIC

Due to arrive today

SHIP	FROM	PORT/BERTH
CSL CABO	UNKNOWN	AKT/CP
GREAT LAND	HONOLULU	OKA/34
HORIZON CONSUMER	HONOLULU	OKA/23
HYUNDAI NATIONAL	LB	OKA/30
KEN TEN	KAWASAKI	SFO/ANC-9

Due to depart today

SHIP	DEST	PORT/BERTH
APL ENGLAND	YOKOHAMA	OKA/62
BAUHNIA BRIDGE	TOKYO	OKA/25/26
GRAND VIEW	UNKNOWN	STK/10/11
HORIZON ENTERPRISE	HONOLULU	OKA/24
LT GARLAND	LA	OKA/35
MICRONESIA NAVIGTR	LB	SFO/ANC-8

### ANALYST RATINGS

Company	Securities firm	New rating	Old rating
Acambis	Jefferies	Buy	Hold
Advanced Micro	JMP Securities	Mkt	Outprfm
Alcon	Smith Barney	Buy	Hold
ArvinMeritor	KeyBanc	Buy	Hold
Brinker Intl	F Billings	Outper	Mkt Perf
Dana Corp	KeyBanc	Buy	Hold
Dynegy	BoFA	Neutral	Sell
Exelixis	JMP Securities	Mkt Perf	Underprfm
Genentech	KeyBanc	Buy	Hold
Gulfmark	Hibernia	Buy	Hold
Kerzner Intl	CIBC	Outper	Scr Prfm
Lear	KeyBanc	Buy	Hold
Motorola	Lehman	Overweight	Eq Weight
National Oilwell	BoFA	Buy	Neutral
JOS A Bank	JP Morgan	Buy	Neutral
Sykes Enterp	R James	Strng Buy	Mkt Perf

Company	Securities firm	New rating	Old rating
Advanced Medical	Smith Barney	Hold	Buy
Alla Alliance	Sandler O'Neill	Hold	Buy
Altiarea Atlanta	Merrill Lynch	Neutral	Buy
Citadel Security	Avondale	Mkt Perf	Outper
Citadel Security	Kaufman Bros	Hold	Buy
Crap	CE Unterberg	Mkt Perf	Buy
Duke Energy	Citigroup	Hold	Buy
EGL Inc	Merrill Lynch	Neutral	Buy
Foundry Networks	Lehman	Underweight	Eq Weight
Greenfield Online	F Billings	Mkt Perf	Outper
Heritage Commerce	FTN Midwest	Neutral	Buy
Heritage Commerce	Sandler O'Neill	Hold	Buy
NetSc	Lehman	Underweight	Eq Weight
Priceline.com	Piper Jaffray	Mkt Perf	Outper
Provident	PVX	Scotia	Underp
Silgan Hldgs	JP Morgan	Neutral	Buy

Company	Securities firm	Rating
BlackBaud Inc	BoFA	Neutral
Boeing	Thomas Weisel	Peer Perf
Compass Bancshares	BoFA	Neutral
Computer Associates	BoFA	Neutral
Dress Barn	Merriman Curhan	Buy
Encore Medical	Jefferies	Buy
Fir Systems	Smith Barney	Sell
Hasbro	Smith Barney	Buy
Internet Security	BoFA	Buy
Varoone Mines	BMO	Mkt Perf
Sigma-Alethic	JP Morgan	Neutral
Leapfrog Enterprises	Smith Barney	Hold
Mattel Inc	Smith Barney	Hold
McAfee Inc	BoFA	Neutral
McCormick & Co	Piper Jaffray	Neutral
Melton Fincl	Longbow	Mkt Perf
Navitas	Thomas Weisel	Outper
NitroMed	Friedman Billings	Outper
NY Community Bancorp	Advest	Strng Buy
Oracle Corp	BoFA	Buy
RSA Security	BoFA	Neutral
SAP AG	BoFA	Buy
Schweitzer-Mauduit	Sitbit	Neutral
Sigma-Alethic	UBS	Neutral
Synantec Corp	BoFA	Neutral
TCF Financial	BoFA	Neutral
Versign Inc	BoFA	Buy

### DIVIDENDS

Period	Rate	Stock of Record	Payable
<b>IRREGULAR</b>			
Ciba Specl ChmsHld z	.8296	5-17	5-25
Indus Bachoco SA z	.1456	5-17	6-15
Knightsbridge Trsr	1.50	5-19	6-1
Lan Airlines SA z	.1096	5-16	6-1
Pacific Am IncShrs	.215	5-20	6-15
Philippine LngDist z	.3892	6-2	7-21
Telecom Op NwZeal z	.6547	5-26	6-17
Westpac Bkng z	1.911	6-6	7-11

y - pay date unannounced.  
z - approx. amount per ADS or ADR.

Company	Stock	Payable
Hampshire Grp	x 5-31	6-28
x - 2 for 1 split.	x	
Quest Diagnostics	x 6-6	6-20
x - 2 for 1 split.	x	
Turkcell Iletisim z	x 5-27	6-9
x - 258/58 of an ADS for each ADS held.	x	

Company	Rate	Payable
Bristol West Hlths	Q .07	5-26
CathedralEnergySvcs	Q .0275	5-31
Commercial Fed Qp	Q .145	6-23
Mine Safety Appl	Q .14	5-20
Nevada Chemicals	Q .07	5-30
PennRock Frnt Svcs	Q .138	5-24
Shurgard Storage	Q .56	5-20
Vintage Petroleum	Q .055	6-16

Company	Rate	Payable
ING GblEqDivPrem	Q .156	6-3
Quest Diagnostics new	Q .09	7-8

Company	Rate	Payable
StarTek Inc	Q .36	5-11

Company	Rate	Payable
ADS Inc g	Q .70	5-20

Company	Rate	Payable
ADS Inc g	A .05	5-20
American PowerConver	Q .10	5-23
Arsamark Op A.B	Q .055	5-20
Compess Minerals	Q .125	6-10
Compst Intl	Q .125	6-10
Cryptologic Inc g	Q .05	6-8
Digital Realty Tr	Q .2437	6-15
Dominos Pizza	Q .10	6-15
Easystone Ltd	Q .04	6-16
Habershon Bancorp	Q .08	6-1
Integrat Systems	Q .04	6-2
International Paper	Q .025	5-20
ITT Industries	Q .18	5-20
Janus Capital Grp	Q .04	7-15
Kerr-McGee Corp	Q .05	6-3
La-Z-Boy Inc	Q .11	5-27
Leucos Products	Q .256	7-5
Loews Corp	Q .15	6-1
Maxim Integrated	Q .10	5-16
Natl Research Cp	Q .08	6-10
Northwest Utilities	Q .175	9-1
OfficeMax Inc	Q .15	7-1
Plum Creek Timber	Q .38	5-20
Radian Group	Q .02	5-24
Rock of Ages Cp	Q .025	5-26
Ryder System	Q .16	5-20
Sanders Morris Harris	Q .045	7-1
Simpson Mfg	Q .05	7-7
SkyWest Inc	Q .03	6-30
Standard Motor Prod	Q .09	5-16
Thomas Progs Grp	Q .06	6-30
UniSource Energy	Q .19	5-18

Company	Rate	Payable
Allmerica SecTr	M .135	5-31
Colonial CA InsMun	M .10	5-23
Colonial Ins Mun	M .0715	5-16
Colonial Intnk Inc	M .054	5-16
Colonial Invgr Mun	M .052	5-16
EquityInfrStcAT&T	M .05	5-16
InvGrGrdeMunInco	M .0625	5-19
MgdHighYldPlusFd	M .0525	5-19
Scudder REIT	M .056	5-16
Scudder Intntd Qvt	M .0265	5-16
Scudder Multi-Mkt	M .065	5-16
Scudder Muni Inco	M .0675	5-16
Scudder Real REIT	M .105	5-24
Scudder Reefr RE	M .132	5-16
Scudder Reefr REII	M .105	6-17
Scudder Reefr REIII	M .132	6-17
Scudder Reefr REIV	M .105	7-18
Scudder Reefr REV	M .132	7-18
Scudder Street Inco	M .09	5-16
Scudder Street Inco	M .075	5-16
Seligman City Muni	M .0475	5-16
Seligman SelectMuni	M .0625	5-16

# Leaks about new Microsoft console

► **XBOX**  
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