

Why are we doing Real Life Lessons Learned for the Small and Medium Business environment?

Over the years I have seen many people looking at the great idea of starting their own business. I have had the opportunity to either coach them as to how to begin the endeavor or work with those who are already in business and desire to enhance, improve or grow their businesses. Over the last two years folks have kept nudging me with “Tom, you need to write down what you know about business and provide the information to the masses out there.” I always retorted that there are plenty of business books, web sites and guides available. The response back to that was, “Maybe that is the case but no one puts it together like you do and you have a unique way of presenting the information.” So, one of the many reasons to develop Real Life Lessons Learned for the SMB environment is because I have been strongly asked to do it and I believe that you are entitled to get the best information that I can provide so that you can be a success. The statistics that I’ll mention later indicate that every year 7% of the adult population in the United States is engaged in an attempt to start a small business. Also, there are 26.8 million of you already engaged in small business activities.

Everything I know, lived and researched shows that SMB’s need good information and a trusted resource to start and enhance what they are doing. With that, searching the information on your own can consume inordinate amounts of time when all you want to do is move positively and progressively forward. You want to do this in a cost effective manner and want to have the reassurance that the person or entity you are dealing with is ethical, honest, sincere and willing to saddle up next to you for the long haul. Too often the resources that are out there on the Internet are convoluted and only want your credit card dollars with no personal interaction. Then there are some of the consultants who want to come in and do a quick fix type of thing and that often can leave more unresolved issues. What you more often need is someone that will work with you on the long-term strategy. Also, many so called consulting groups or companies don’t have a heart for the SMB environment. At best, they are looking at you as project with quick revenue hit. Granted there are many good consultants out there that will benefit your endeavor. Our philosophy at NCDCS is that the SMB is critical to the local, state and national economy and more importantly, you are hard working individuals that want the best for your families and employees. The desire of NCDCS, Inc is to be that trusted partner that takes the long-term relationship approach, which is meaningful and cost effective for you. That is why we have developed the Rent-A-COO and Rent-A-CFO programs. At this time, I’m not here to promote our services in this discussion. I will encourage you to go to our web site and then give us a call or send an email.

The simple facts are that each person has varied motives for wanting to start or maintain a small business. Some of these are:

- I have a great idea for a new widget and can make this work.
- I can do what I’m doing better than the folks I’m working for now.
- I enjoy my hobby and wouldn’t it be fun to do this full time as a business.
- I want to get rich and having my own business will get me there.
- I’m sick of working for someone else.

- I want more time to do what I want
- For those in business: I know my own business and what it will do that for me.
- Again for those in business: I can't afford to review what I'm doing, I'll get by and it'll get better.

And there is a plethora of other reasons that someone comes up with or that somebody else convinces you; are the good reasons for going into business. Ok, so how do you get there? What does it take to start? And once you are into it, what does it take to keep it going? I am not going to answer all these questions in this introduction. But these questions and hundreds more are why I'm doing Real Life Lessons Learned for SMBs.

OK, having a reason to go into business is interesting. Having an idea, an invention, a craft, hobby or desire is only the beginning. There are a number of entrepreneur sites out on the Internet. Almost everyone wants to sell you some kind of "here's how to get it done" or "be all that your little heart desires" infomercial web material and books. OK, that is a fundamental of free enterprise and an aspect of modern capitalism, which is to sell an idea. I am not going to say that I won't make efforts to promote my storehouse of intellectual property, knowledge and resources. But first, I do want you to understand that we at NCDCS will be providing you with a proven and holistic sense of reality. Our intent is to be straight up in telling it like it is and providing you with useful and proven data and techniques. As a caution, after you hear this it may turn you away from what NCDCS, Inc has to present and you may decide to chase after some get rich quick or some 'it's all good, feel good site'. We truly hope not and that you will continue to join with us to get the most you can so that you are the most successful business entity that you can be. We intend to do our best to present to you not only the fundamental information that you need to begin or to enhance your business but to additionally provide a really good resource list that will include some of the 'must read books', 'must go to web sites' or even the 'must attend classes or seminars'.

Just to emphasize this, we are going to discuss the real hard knocks and fundamentals of not only starting a business but we will discuss the key components to enhance existing businesses. My personal desire is to bring to you insights from my years of business experiences as well as the expertise of those on the NCDCS, Inc Team. And I do want to emphasize "TEAM". One thing that I completely believe in is that small businesses need to understand a Team concept. In all candors, it is very difficult trying to go it alone or be dictatorial or worse, not engaged with those that labor with you. "Scholar R. B. Reich considers leadership, management ability, and team-building as essential qualities of an entrepreneur. This concept has its origins in the work of Richard Cantillon in his *Essai sur la Nature du Commerce en Général* (1755) and Jean-Baptiste Say (1803) in his *Treatise on Political Economy*."ⁱ

As with the leadership and team building, the entrepreneur in small and medium businesses cannot afford shaky communications and interpersonal relationships. Communications is one of the most critical components that everyone in the organization needs to participate in and contribute to for the efficiencies of the entity.

Our mini-papers deal first with a Business being a living entity and what contributes to its personality. The second is mini-paper is about opening the doors of communications. Then we move on to other key fundamentals as well. We will be posting a high-level business startup

schedule of key areas in pdf format on our web site. We have a sample financial model on the site as well and we will make available other resources and tools as we continue to build our site and monthly news letter.

There are many theories and fundamentals that are available to research. Heck go google entrepreneur and you will get over 53 million hits. I did say 53 million and not to mention all the derivatives of the word. So what is the simple definition of an entrepreneur and for you ladies, entrepreneuse? Wikipedia defines it as: “The newly and modern view on entrepreneurial talent is a person who takes the risks involved to undertake a business venture. In doing so, they are said to *efficiently* and *effectively* use the factors of production. That is land (natural resources), labor (human input into production using available resources) and capital (any type of equipment used in production i.e. machinery). A business that can *efficiently* manage this and in the long-run hopefully expand (future prospects of larger firms and businesses), will become successful.”ⁱⁱ NCDCS is here to assist you in developing the efficiencies and effectiveness to succeed.

Let’s continue with the long definition from Wikipedia: ‘ Entrepreneurship is often difficult and tricky, as many new ventures fail. In the context of the creation of for-profit enterprises, entrepreneur is often synonymous with founder. Most commonly, the term entrepreneur applies to someone *who creates value* by offering a product or service in order to obtain certain profit. While there is social entrepreneurship in most markets, business entrepreneurs often have strong beliefs about a market opportunity and are willing to accept a high level of personal, professional or financial risk to pursue that opportunity. Business entrepreneurs are viewed as fundamentally important in the capitalistic society.’ⁱⁱⁱ

So you are a person with strong beliefs and are willing to accept high levels of risk. If your not, you may want to stop here. Not that I want to be discouraging but as you will see if you read on, the statistic are such that the greater number of people who start down this road do not see the end of the tunnel. So my job here is to present reality to you and assists you in every possible way to plan and dig the tunnel knowing what the light is that you will see at end of that tunnel.

To further continue the discussion regarding your decision to enter into or enhance your business, as it is critical to your community and our world in general, we have to consider the overall importance that small and medium business is to the total economy of the United States. If you are from another country in the world, your endeavor is critical to that nations economy as well. So, let’s hear what the opening statements of the December 2007 report to the President of the United States has to say about small business in review from the most recent statistics. Here is a condensed read on the opening comments by Chad Moutry, Chief Economist and Director of Economic Research for the Small Business Administration.

“The American economy is blessed with an entrepreneurial spirit that continues to be the envy of many nations around the world. Small business leaders provide new ideas, employ additional workers, and develop innovative products and services. By investing in their businesses, the small firm owner makes a major contribution to the local, regional, and national economy.

This edition of The Small Business Economy features two chapters on owner demographics based primarily on the 2002 Survey of Business Owners from the U.S. Census Bureau. In documenting the

number of small businesses owned by minorities, women, veterans, and service-disabled veterans, we gain a better understanding of their contributions to the economy. This report also summarizes the economic and small business financial climate in 2006, and examines small business procurement. Generally, the economy and financial markets were supportive of small business growth in 2006.

We also feature two chapters from external contributors. Andrew Wolk of the Root Cause Institute and a senior lecturer at the Massachusetts Institute of Technology presents a number of examples of social entrepreneurship across the country and outlines steps governments are taking to promote social entrepreneurs as a mechanism for solving some of our nation's problems. Some may ask, "What does social entrepreneurship have to do with small business?" A short answer might be that social entrepreneurship exhibits many of the attributes of small business entrepreneurship, serving as an engine of innovation, job creation, and economic growth. Moreover, by bringing together aspects of the public, private, and nonprofit sectors to address a market failure, social entrepreneurs have, in a variety of ways, helped create an economic environment in which private entrepreneurs and small businesses can flourish.

A second chapter from external contributors, by William Gartner of Clemson University and Jianwen (Jon) Liao of the Illinois Institute of Technology, discusses the need for pre-venture planning. They find that nascent business owners who engaged in business planning during the startup phase and wrote a formal business plan were more likely to open and remain in business. In essence, they suggest that the process of drafting a business plan was essential to the overall success of the venture. While that might seem common sense to many, a debate in recent years has sometimes challenged the need for pre-venture planning as a prerequisite for success. This chapter lends credence to those who suggest that planning matters.

In sum, the 26.8 million small businesses in the United States play a vital role in the economic well-being of our nation. The research of the Office of Advocacy continues to document the importance of the entrepreneur in maintaining economic growth, employing workers, bringing new innovations to the marketplace, and remaining competitive in a global economy.^{iv}

Now I'd like to continue to give you a perspective of how important your decision to develop your business is to yourself, family, coworkers, employees and the nation; I will quote several key excerpts from the report that hopefully will be encouraging and challenging.

To start with the report states: "Small businesses continued to drive employment in early 2006. The overall employment increase of 2.3 percent was low relative to other periods, but occurred in the context of a tightening labor market as unemployment declined to 4.6 percent.

In 2004, the most recent year for which firm size data are available, small firms with fewer than 500 employees accounted for all of the net new jobs. According to the U.S. Department of Commerce, Bureau of the Census, firms with fewer than 500 employees had a net gain of 1.86 million new jobs, while large firms with 500 or more employees had a net loss of 181,000 jobs. Small firms employed just over half of the private sector work force and generated more than half of nonfarm private gross domestic product. More than 99 percent of American businesses are small, and the average small employer had one location and 10 employees, compared with 62 locations and 3,313 employees in the average large business."^v

What this means is that your desire to build a small business is critical to those in your local community and the nation. You have the opportunity to affect the world around you more than you can initially imagine.

What we will continue to do in Real Life Lessons Learned for Small and Medium Business is expound on all the areas that are needed to develop and increase efficiency and productivity of your endeavor. We will walk you through from the “Oh I have a great idea” to ”how do I make this work better”. How to identify areas for review by writing that business plan, developing a strategy and financial model to look at all the nuances of starting and managing a small business. Here I want to cut to the chase of things and again I quote the Presidential Report:

“In any given year, about 7 percent of the working age population in the United States is actively engaged in efforts to start a business. Within about two years, some of these entrepreneurial efforts will result in the creation of new businesses. Given the millions of people and billions of dollars involved in new business startups, important benefits are to be had from insights into ways that entrepreneurs could improve their chances of business success, as well as minimize their losses from investing in nonviable opportunities. Professors William B. Gartner and Jainwen (Jon) Liao provide compelling evidence that engaging in business planning can significantly improve an entrepreneur’s chances of successfully starting a business. They base their research on a unique survey of people in the process of starting businesses in the United States, the Panel Study of Entrepreneurial Dynamics. They compare entrepreneurs who ended up starting a business with those who were still in the process of starting one, and those who quit the process. Those who engaged in business planning during the startup phase and wrote a formal business plan were more likely to be in the group that successfully started a business. Planning matters!”^{vi}

I know that that statement that “Planning matters!” is true. What I am finding is that regardless of your professional background, whether you’re new to small/medium business or you have been in a small/medium business for many years you will find that wearing several or all the hats gets tiresome and you end up missing something. That something could be market opportunities, strategic development, financial consolidation and cost management or worse, employee relationships. Each area neglected or missed impacts your bottom line and potentially your ability to be an even more significant contributor to your community, state and nation. Heck, it affects your personal pocket and your personal life!

Our desire is to make available to you not just the conceptual and useful information that you will incorporate in what you are doing but to ultimately provide you with a personal review of you current endeavor. Concepts and information alone do not always enhance your objectives. There are often times when you need a coach, assistant strategist or overall business management or employee development component. Our mini-books, seminars and Rent-A-COO/Rent-A-CFO resources bring a variety of opportunities to you such as strategic planning that will enhance and make your business more efficient and profitable. Our desire is that you are a business that is a positive SMB statistic in the next SBA presidential report.

Your opportunity to succeed begins with “a good plan that is well executed.”^{vii}

ⁱ “Entrepreneur”, From Wikipedia, the free encyclopedia, <http://en.wikipedia.org/wiki/Entrepreneur>

ⁱⁱ Ibid

ⁱⁱⁱ Ibid

^{iv} “The Small Business Economy for Data Year 2006, A Report To The President”, December 2007, Small Business Administration, file sb_econ2007.pdf, United States Printing Office, Washington: 2007, “Intro Letter” pg iii & iv.

^v Ibid “Executive Summary” pg 1 & 2

^{vi} Ibid “Executive Summary” pg 5

^{vii} Hundreds of people – do a google search. No one originator.