

Introduction: Understanding the Challenges of Entrepreneurship

Chapter 1 presents facts and figures about the number of new businesses that fail and some of the reasons for those failures. It also describes basic marketing principles that apply to most enterprises, no matter what the size. The chapter presents 25 proven marketing essentials and methods. Numbers 1 and 2 provide detailed, basic information about marketing. The rest of the chapter describes 23 simple strategies for overcoming common hindrances to business growth.

1. Awareness of Small Business Facts and Statistics Encourages Successful Entrepreneurship

The number of men and especially women who are business owners has been steadily increasing over the past 30 or so years. Here are some facts:

Entrepreneurs Increasingly Are . . .

- *Women:* One in every 11 adult women owns a business.
 - Between 1997 and 2002, the number of women-owned firms increased by 14 percent nationwide, twice the rate of all firms in the United States.
 - Nearly half (46%) of all businesses (10.1 million) are at least 50 percent owned by a woman or women.
 - Between 1997 and 2002, the number of privately held majority or 50 percent women-owned businesses grew by 11 percent, more than 1½ times the rate of all privately held firms.

- *Women employers:*
 - More than 18 million workers are employed by a woman business owner.
 - One in seven workers is employed by a woman-owned business.
 - The number of women-owned employer firms grew by 37 percent between 1997 and 2002, four times the growth rate of all employer firms.
- *Women-owned businesses that contribute significantly to the nation's income:*
 - Women entrepreneurs generate nearly \$2.3 trillion in sales annually to the U.S. economy (Center for Women's Business Research study, www.womensbusinessresearch.org, formerly the National Foundation for Women Business Owners, *Women-Owned Businesses in 2002* is the source for all the preceding facts.)
- *Self-employed minorities:*
 - Self-employment rates for blacks, Latinos, and women have risen sharply since 1979, according to a study released in December 2004, by the Office of Advocacy of the U.S. Small Business Administration (SBA). During the period, self-employment rates increased across ethnic groups and gender, with an overall increase of more than 5 percent (U.S. Census Bureau, March 1997 Current Population Survey).

Small businesses are vital to our economy:

- They represent 99.7 percent of all employers.
- Small businesses employ half of all private sector employees.
- They pay 44.3 percent of the total U.S. private payroll.
- They create 60 to 80 percent of all new jobs annually.
- Their share of nonfarm private gross domestic product (GDP) is more than 50 percent.
- The total value of the federal prime contracts in which they supplied goods and services in 2001 was 22.8 percent (about \$50 billion).
- Small businesses produce 13 to 14 times more patents per employee than large patenting firms and are twice as likely as large patent companies to be among the 1 percent most cited.
- They have 39 percent of high-tech jobs employing computer professionals, engineers, and scientists in companies with fewer than 500 workers.
- They have 53 percent of the home-based businesses, and 3 percent own franchises.
- Owners of small businesses make up about 97 percent of all identified exporters, and producers of about 29 percent of the known export value (U.S. Census Bureau, 2001).

These findings over the past two decades suggest that small businesses will continue their entrepreneurial growth, no matter what the condition of the

country's economy may be. Knowing that millions of other entrepreneurial men and women are striving to succeed is sure to encourage you to start, maintain, or grow and expand your own moneymaking enterprise(s). It should also be reassuring to know that if you were to need support or assistance in fostering your enterprise, other entrepreneurs who can mentor you are likely to live nearby. Knowledgeable professionals are only a telephone call or a mouse click away (with the vast Internet's available resources).

Why an Increasing Number of Women and Men Are Turning to Entrepreneurship

There are many reasons women and men are increasingly turning to entrepreneurship. Here are some of the most common ones. Did any of the following reasons propel or jolt you into becoming an entrepreneur?

DECREASING WAGES—DECREASING FAMILY AND PERSONAL TIME

An article entitled "The 4-Day Work Week Catches On," in an old issue of *Life* magazine (January 8, 1971), points out that the six-day week disappeared during the 1930s and that, by 1956, Vice-President Richard Nixon was discussing the possibility of a four-day work week as a goal for all Americans. It was to last approximately the same 40 hours, but workers would put in 10 hours those four days. Somewhere in the ensuing 35 years, that goal was lost. Not only are today's American workers back to the six-day work week of the 1930s, many of them work 10 hours a day and are often expected to make it a 60-hour work week, or more. And these employees include single women, mothers, and grandmothers, many of whom are widows who are forced to work well into their 80s.

It is wonderful that men and women can now pursue any career, but because wages have not kept pace with the cost of living, what used to take the average income of only one worker to support a family, today can take almost two-and-a-half incomes. It appears that employers now have two workers—the husband and wife—for what they used to pay one worker. How did that happen? Previously, if a husband or wife became sick, unable to work, or died, the other spouse could become a backup wage earner to support the family. In today's economy, there is no backup person to replace lost income because that individual is already working. Many working families are only one paycheck away from losing all that they have, and with the recent changes in the personal bankruptcy laws, they will have an even more difficult time in getting back on their feet. It is no wonder that workers and their families, especially the hard-hit middle class, are under stress.

In contrast, entrepreneurs have the potential to earn more as business owners than as employees. True, entrepreneurs typically work more than 40 hours a

week, but because they are working for themselves and as their own bosses, they have the flexibility to arrange their hours around their families' schedules.

FEWER RAISES

To keep fixed costs low, more companies are giving performance bonuses instead of giving raises, and often managers have to adhere to strict guidelines for standard operation procedures, or those bonuses are unlikely. One electronics chain corporation not only demands that its managers work six days a week (what about family time?), but sends its inspectors into stores unannounced to deduct points for such minor infractions as not having all the clocks that are for sale set at the same time; or for not having all the product boxes facing the same direction. One manager said, "It's the old 'carrot on the stick,' only the stick is a mile long with the carrot dangling over a cliff."

In contrast, entrepreneurs start "at the top," as owners and CEOs of their own companies. Sure, they have all the responsibilities that go with being a business owner, but they can take their businesses in whatever direction they choose. They strive to provide benefits for their employees and their families and establish better relationships with subcontractors than they experienced when they were working for someone else. One business advocate says with a smile, "I tell all small business owners that they *are* CEOs, and equal to other heads of companies like Bill Gates of Microsoft and with whom they could have lunch, if they were invited!"

THE ECONOMY AND JOB SECURITY

Thus far, in this new century, our nation's business climate and the world's economy have been changing dramatically. Jobs, especially in manufacturing, have been discontinued or shifted overseas. Many of these jobs will never return, so unemployed workers must find new ones, often at much lower pay, or undertake training and education for new careers. Many workers' unemployment benefits run out before they can find a new occupation. In addition, many new jobs today do not include the same health care coverage or other benefits these people had in their previous positions.

Economic globalization has established a world where countries are often not in charge—corporations are. Noreena Hertz's book, *The Debt Threat*, is recommended reading for all small business owners; it explains how the world's poorest nations go further into debt at the expense of Western corporations.

In contrast, entrepreneurs are looking toward business ownership as a viable career option. Unstable economic conditions are inducing people to start ventures to secure their financial future. Rochelle Balch, says in her book, *C-E-O & M-O-M: Same Time, Same Place*, "You go to work every day. You do a good job. . . . You think you are building a future for yourself and your family. Then, one day, in a flash, it's over. 'Tough luck, but we had to cut back somewhere,' they say. 'Today is Wednesday. Friday is your last day.' All I knew," says Balch, "was I'm a single mom, in a new state, and out of work, with a mortgage to pay."

After her layoff, Balch started her own business and in several years was the owner of a multimillion dollar computer consulting business, R. B. Balch Associates (www.rbbalch.com). Balch says she now has more job security because she owns her own business and can adapt her services and products to the fluctuations of our country's ever-changing economy and markets.

Because of our sheer numbers, those of us who are entrepreneurs and small business owners can urge our country's leaders to control the policies of big business that affect our own economy and those of poorer nations. Being in control of our businesses gives us more power to band together to vote and strive for an equal global economy for all workers and entrepreneurs. We can help foster entrepreneurship worldwide.

LESS PENSION OR NO PENSION

Some large companies that have declared bankruptcy have been forced to discontinue health care and retirement benefits for their retired employees. In the *Time* magazine investigative article, "The Broken Promise," (October 31, 2005), Donald Bartlett and James B. Steele point out that many corporations are now walking away from their pledges of retirement benefits for their loyal workers, putting millions of Americans at risk for living out their "golden years" in poverty. They say our U.S. Congress has permitted this to happen by not re-vamping our health care system and costs and by allowing corporations to walk away from their promised employee retirement obligations while tightening bankruptcy regulations for consumers in 2005.

In contrast, entrepreneurs who want to live comfortably in their retirement years are seeking the advice of financial planners and experts. Many small business owners are progressively offering more benefits for their employees, including retirement plans, because of their concern for their employees' futures and because these benefits are an incentive for retaining highly qualified workers.

FAMILY DILEMMAS

Though many companies now offer employees flexible hours to handle family needs, there are still times when employees—especially women who are the primary caregivers of family members—face scheduling conflicts as they care for sick children or elderly relatives, or handle everyday personal concerns.

In contrast, entrepreneurs like having more control over the use of their time. Men as well as women are choosing to work from their homes to be there for their families, to attend their children's school events, or to run errands or make appointments.

HEALTH CARE CONCERNS

The U.S. Census bureau estimates that on any given day of the year about 46 million Americans have no health insurance and that 80 percent of these are working families. The AFL-CIO says working families in the United States are

facing a crisis in health care, the cost of which is rising at three times the rate of inflation. Workers who *do* have health insurance are paying more for it and will pay even more as the majority of employers plan to pass health care costs to their employees.

The Kaiser Family Foundation (www.kff.org) states also that women are the major consumers of health care services and often seek coverage for their families as well. The AFL-CIO also says that women's access to care is often complicated by their disproportionately lower incomes and greater responsibilities juggling work and family (www.afl-cio.org).

In contrast, entrepreneurs have decided that if they are going to pay more for health care insurance, they are going to search for the best plans that meet their needs. As entrepreneurs, they are paying for the entire cost, but by joining business ownership organizations, they often find better coverage at lower group rates. The good news is that health care insurance coverage and costs are deductible expenses for business owners (check with your accountant or other financial experts to learn how this pertains to your individual situation).

Obtaining affordable health care will continue to be a challenge for almost *all* working Americans—employed or self-employed—until our country's leaders and legislators make it a priority.

ESCAPE FROM A JOB THEY DISLIKE OR NO LONGER FIND CHALLENGING OR FULFILLING

In the study titled "At Work 2003: Past, Present, and Future," conducted by CareerBuilder.com, it was reported, "nearly 25 percent of workers in the U.S. detest their jobs." Those workers who say they hate their jobs often feel trapped by their financial commitments of mortgages and rent, car payments, and other living expenses. Add to this, the uncertainty of job security caused by the slow economy and the fact that millions of jobs are being outsourced overseas. This same study by CareerBuilder.com revealed, "six-in-ten workers plan to quit their jobs and pursue other options in the next two years." Some may opt to go back to school (if they can afford it) to retrain for another job (some for the second time due to a second job being eliminated), while others may seek to become entrepreneurs.

In 1998, the Center for Women's Business Research, said that women business owners are more likely to have been frustrated and unchallenged in their jobs. They felt that their opinions were not being taken seriously and that they were being passed over for promotions. These women said that these were some of the reasons for starting their own businesses and that primarily they were inspired by an entrepreneurial idea.

In contrast, entrepreneurs have a sense of pride, purpose, and enjoyment in their businesses and self-employment ventures. Their enterprises are based on personal interests and passions. As entrepreneurs, women and men can start businesses they enjoy, and at any age. If they cannot afford to quit a full-time job to start a business, they can start one on the side, until their businesses'

profits enable them to quit their disliked day jobs. The U.S. Small Business Administration (SBA) says that the number of part-time businesses has steadily increased since the mid-1980s and are expected to increase by about 10 percent each year.

Valerie Young quit her corporate 9-to-5 job after seven years to found the web site ChangingCourse.com that presently has 25,000 subscribers to her free electronic newsletter. She now writes and consults about changing one's direction in life and leads nationwide workshops that encourage people to tap into creative ways to make a living without a job so they can start living new lives doing work they love. Young says, "I decided a long time ago to put my money angst on hold and instead focus on finding my passion, my path, my way. Now, I work for meaning, not money."

THE DESIRE TO LEAVE LEGACIES

Like their parents before them, most women and men want their children to earn more, be better educated, and to work in whatever fields they desire. In past generations, however, few parents had businesses to transfer to their children.

In contrast, many entrepreneurs visualize their ventures providing a living for their children or at least giving them a head start in pursuing their dreams when they are adults.

Entrepreneurs inspire future entrepreneurs and become role models for the young persons who look up to them, encouraging them not to settle for anything less than what they can achieve. Statistics reveal that entrepreneurs beget entrepreneurs as numerous studies conducted over the years by business universities and government agencies have shown that many successful entrepreneurs had one (or both) parents who were self-employed. When daughters and sons see their mothers, sisters, and even grandmothers starting ventures, these children of entrepreneurs are more likely than children of employed parents to start businesses.

THE DESIRE TO GIVE BACK MORE TO THEIR COMMUNITIES

Employees sometimes feel pressured by their bosses to give to a nonprofit organization, but wish they had more time to give back to their community in other ways. Being employed full-time and trying to accomplish everyday living tasks leaves little time for volunteering. Now that it takes two-and-a-half incomes to support the average family, parents often have to squeeze out time and energy to volunteer at their children's schools or their religious institution, or to participate in additional civic activities.

In contrast, entrepreneurs are often more involved in altruistic projects with their enterprises than employed individuals. Entrepreneurs like to combine economic endeavors and social causes. They can devote time to their favorite nonprofit organizations, schools, or other neighborhood groups while garnering free publicity and community goodwill for their businesses.

Dispelling the Business Failure Rate Myth

A 2002 study conducted by the Office of Advocacy of the Small Business Administration and the U.S. Census Bureau, dispelled the ongoing myth that 9 out of 10 new businesses fail in their first year. Instead, the findings of this study revealed that three-quarters of all businesses survived two years or more, half survived more than four years, and around 40 percent survived more than six years. In addition, this study showed that one-third of all businesses closed while they were still successful. Thus, if you are a new entrepreneur or are planning to become one, you can be encouraged that the success rates for new small ventures are considerably better than you might have thought.

However, this same study concluded that approximately one-third of all businesses do close unsuccessfully. There are definite steps you can take to prevent this from happening, which is why marketing is so vital to business survival.

WHY SOME SMALL BUSINESS OWNERS ARE BEATING THE ODDS

Despite the slow economy over the past several years, many small businesses have experienced sales growth during that same downturn period. Here are the primary reasons owners of small, home-based, and micro-businesses not only stay in business but also survive and thrive:

- *They network well in their industry, communities, and beyond.* Entrepreneurs like to see one another succeed. If you do not believe this, attend a business owners' meeting or a business card exchange, observe the participants, and listen to the conversations, encouragement, and tips that these small business owners and self-employed individuals share with one another. Successful entrepreneurs will find mentors or be mentors to new business owners.
- *They are more mature.* Many people in their 50s and 60s want to try their hand at entrepreneurship, especially the 76.1 million baby boomers who generally do not want to retire to just play, but hope to work at something they enjoy. Not only do they bring a vast array of experiences and backgrounds to their ventures, but they usually have a more mature approach, are more likely to care about their employees, and treat customers with the care and respect that can foster repeat business.
- *They are not afraid to fail.* Statistics reveal that it takes an average of three business start-ups for an entrepreneur to achieve a successful enterprise. Entrepreneurs are not afraid to fail; they constantly learn from their mistakes and persist until one (or more) of their ventures succeeds. They can respond to challenges and quickly change to stay competitive and satisfy their customers.
- *They emphasize quality.* Surveys show that small business owners generally care more about the quality of their products and services than bigger

companies. They believe this is the best way for them to compete with large companies that have access to more resources but are less personal. Owners of smaller ventures strive to keep their customers satisfied to encourage their repeat business.

- *They start smaller, more manageable ventures.* Time-management issues, family responsibilities, and the desire for more money are just a few reasons that women and men tend to start a small-scale venture such as a sole proprietorship or partnership. Because their ventures are small, the owners can pay attention to the details that promote a positive image. Many business owners have gone on to expand their small ventures into multimillion-dollar enterprises, especially as venture-capital investment resources become available. Others have chosen to stay small so they can serve specialized niche markets. Thus, starting smaller and growing slowly decreases the likelihood these business owners will make hasty (and costly) decisions that can lead to failure. They can expand and adjust the growth of their business at a rate they can best handle financially and time wise.
- *They inspire loyalty.* Successful entrepreneurs value their working relationships with other business owners who partner with them on projects and develop a trust. They treat employees with respect and recognition, and offer benefits that foster loyalty, better production, and customer service creating a team atmosphere working for success.
- *They create mission statements and long-range plans.* The mission statement of core values that they create guides them in their business ethics and operations. They devise long-range plans—business, financial, and marketing—with specific goals and strategies for achieving them.

There are other reasons that small and home-based business owners are succeeding, but these are the most important and can be summed up as the three Ds—desire, discipline, and determination. Finding and keeping customers is what really keeps a business in business. Starting a venture is the easy part—staying in business is the hard task. It all has to do with successfully marketing and reaching new paying customers while satisfying loyal ones.

Suggested Resources

Books

C-E-O & M-O-M, Same Time, Same Place by Rochelle B. Balch (Glendale, AZ: RB Balch Associates, 1997).

The Debt Threat: How Debt Is Destroying the Developing World . . . and Threatening Us All by Noreena Hertz (New York: HarperCollins, 2005). www.TheDebtThreat.com. Hertz has established a debt relief fund for the world's poorest nations. To learn more, make a contribution, or send a message to our political leaders, visit her site.

Web Info

www.emkf.org, the Ewing Marion Kauffman Foundation, provides valuable information for all entrepreneurs.

www.womensbusinessresearch.org, Center for Women's Business Research, founded as the National Foundation for Women Business Owners, provides statistics and information about women who are business owners and their enterprises worldwide.

2. Learn the Definition of Marketing and Basic Marketing Principles

Business experts inform those who will be starting new businesses or ventures to expect to spend 75 percent of their time marketing their new business; and those with established businesses to expect to do some marketing on a regular daily basis. Marketing basically encompasses all the methods that bring customers to your business.

Simply put, without customers you have no business, nor can you acquire more business. Your quest is to (1) determine with market research who are your best potential (paying) customers—often called your *niche* market; (2) why they would want your product or service over that of your competitors—the unique benefits your product or service provides; and (3) if they are willing to pay prices that will enable you not only to sustain your business but also to make a profit.

Jeffrey Dobkin, direct marketing expert and author, says, “To me, the definition of marketing can be reduced to five words—if you count the ‘a’: Marketing is ‘selling to a defined audience.’ Sales are to anyone, when you pare down that number of folks you are selling to—to a more targeted group—that’s marketing.” To summarize, marketing is the total of all the methods business owners use to reach the best customers for their businesses.

There are many books about marketing, growing, and expanding your business, some of which are listed throughout this book. Additional ones recommended by the experts and entrepreneurs are quoted and profiled in this book. The words these marketing experts have included in defining and explaining the basis of marketing include the following (but are not limited to) P words: *product*, *price*, *promotions* (advertising), *place* (positioning), *PR* (publicity), *pass-along* (referrals, word-of-mouth), *permission*, *packaging*, *performance*, and other similar terms (see web site resources in this chapter and the Glossary on page 305).

What is even more perplexing (or you could say enlightening and challenging) is that experts such as Seth Godin in his book, *Purple Cow* (New York: Portfolio, 2003) are stating that the old marketing methods are no longer the

best ways to attract customers because times have changed and you must devise a strategy to really stand out from your competitors. So where does that leave you in terms of what marketing approaches to use and not use? Traditional? Nontraditional? And how do these marketing components relate to you and your business? Do you need to know them all to make your business survive and thrive?

No and yes. Because marketing is so essential to your business's existence, experts advise you to continue to learn all you can about marketing—reading, enrolling in courses, and consulting with marketing experts so you grasp the basics and more, and can apply the most effective methods for your particular venture.

After Learning the Basics, Grow Your Business, Your Way

When you believe you have read, heard, and learned all you need or want to about marketing, then you are ready to devise and create the marketing strategy, a *market plan* that will be the most effective for your business. Your marketing methods can be as traditional or as far “outside the box” as you can manage—as long as they are ethical and effective. It is your business, and you will be responsible for deciding which methods to test and implement and which ones are the most effective.

A market plan is a vital part of your business plan. What is in a market plan? An effective plan profiles potential customers' likes, dislikes, and expectations. It defines sales strategies: pricing and sales terms, selling methods and distribution of your products or services, and your timetable of promotional advertising plans. After creating a business and market plan, the next step for you will be to test one or more of your marketing tactics and then evaluate them to see if they are worth the time and money you spent trying them. Because these plans are vital to your business, Chapter 4 focuses on them.

Suggested Resources

Books

Guerrilla Marketing for the Home-Based Business, 11th ed., by Jay Conrad Levinson (Hoboken, NJ: John Wiley & Sons, 2005).

Principles of Marketing by Philip Kotler and Gary Armstrong (Indianapolis, IN: Prentice Hall, 2005).

Web Info

www.dobkin.com, web site of Jeffrey Dobkin, marketing books, articles.

Marketing Ethics—What Are Yours?

Every profession has a code of ethics—some written down, others unspoken. When you start a business, it will reflect your values and how you treat your peers, your employees, and existing and potential customers. Business scandals and scams taint reputable business owners. Being true to your values will guide you in your business activities and help you make decisions when you are facing difficult choices. Here are some guidelines for marketing activities:

- Be honest. Make every effort to have your service or product deliver what you promise. The rules and regulations pertaining to this and other advertising activities are discussed later in this chapter.
- If you enter into joint advertising agreements with other entrepreneurs, make sure your philosophies and businesses complement one another.
- Define your own business. You can pick up and practice excellent marketing and business tips from other business owners—but run your business in your own way, at your own pace, according to your business plans. You are your business, and this is what attracts your customers. Do not try to be someone or something you are not or your business will lose its unique qualities—what makes it stand out from competitors.
- Do not denigrate your competitors to reach new customers. Instead, emphasize the benefits that your products or services can offer clients and let them decide which one serves them best.

You do not have to like every person with whom you do business, but you do have to treat each customer with respect as a human being and strive to give full value to everyone.

Suggested Resources*Books*

Born to Buy: The Commercialized Child and the New Consumer Culture by Juliet Schor (New York: Scribner, 2005).

Integrity—The Courage to Meet the Demands of Reality: How Six Essential Qualities Determine Your Success in Business by Henry Cloud (New York: HarperCollins, 2006).

Principled Profit: Marketing That Puts People First by Shel Horowitz (Hadley, MA: Accurate Writing & More, 2003). Horowitz's Ethics Pledge. www.business-ethics-pledge.org.

Web Info

www.FTC.gov, the Federal Trade Commission, see the truth-in-advertising rules that apply to advertisers under the Federal Trade Commission Act.

COMMON HINDRANCES TO BUSINESS GROWTH AND 23 STRATEGIES TO OVERCOME THEM

Entrepreneurs generally are not afraid to fail or make mistakes, but if you can avoid making mistakes as your business grows, your business is less likely to fail. You may have to overcome many obstacles to beat the odds of failing. Fortunately, with a little knowledge, you can ensure enduring success for your business. Along with the two preceding methods that have been discussed in detail, here are 23 more ways to overcome common difficulties that many entrepreneurs face.

3. Too Many Customers

Business experts caution business owners who are seeking customers to be sure they can meet the needs of any new customers. Make sure you have the time, materials, and technology; the staff, if needed; and the know-how to make your customers happy. Otherwise, you will become overwhelmed and lose business. Either say “No,” to people or businesses that you cannot handle; or better yet, try to refer these individuals or businesses to other companies that can meet their needs. They will appreciate your honesty, plus the business owners who obtain new customers from your referrals are likely to reciprocate and refer potential clients to you. Another alternative is to raise your prices and have fewer customers while retaining the same profit margin.

Suggested Resource

Book

Discipline of Market Leaders: Choose Your Customers, Narrow Your Focus, Dominate Your Market by Michael Treacy and Fred Wiersema (New York: Perseus Publishing, 2000).

4. Underestimating the Total Funding Needed to Finance the Growth of the Business

Business financial experts say that being unable to financially fund business growth is a leading cause of business failure. In recent years, the SBA has increased the small business loan programs available to small business owners and veterans; and several women’s venture capital firms have been established to assist women in business growth.

These same experts urge entrepreneurs to explore all financial resources available to them and for which they qualify (Chapters 5 and 13 discuss financing sources and strategies in depth). When applying for a loan, carefully research the real costs of each step of your business; it is extremely important to factor in extra funds for any unexpected expenditures and also to know the status of your cash flow. Have a business-financing expert review your estimated expenses list in your business plan before you approach potential lenders.

Suggested Resource

Book

How to Grow When Markets Don't by Adrian Slywotzky, Karl Weber, and Richard Wise (New York: Warner Books, 2004).

5. Lack of Knowledge and Specific Skills for the Potential Business Venture

It is important to have the skills—both basic business and those knowledge-based for your specific venture idea. How do you acquire these skills and knowledge?

Enroll in Business Management and Start-Up Courses

Contact the following in your community:

- *Local school districts and vocational-technical schools*, to see if their adult evening programs offer business start-up classes or additional instruction in the field that interests you, such as computer courses, office skills, woodworking, or marketing.
- *Four-year and community colleges* for course offerings of business and entrepreneurial studies, degree studies, and E-business ventures. Many colleges offer courses online, but beware of diploma mills that you may see on the Internet. Check with the Better Business Bureau or the attorney general's office in the state where the company is located to ensure the school is operating legally.

Two resources for information on distance learning and online courses are the nonprofit Distance Education and Training Council (www.detc.org) or Peterson's site (www.petersons.com).

- *Local offices of the SBA* (offer free or low-cost seminars and business counseling):*
 - Service Corps of Retired Executives (SCORE, www.score.org)
 - Small Business Development Centers (SBDCs, www.sba.gov/SBDC)
 - Women's Business Development Centers (WBDCs, www.onlinewbc.gov)

Start a Business Based on Your Work Experience or Hobbies

Having a background and the necessary skills in the industry in which you start a business will provide you with greater chances to succeed. If you lack that experience, you could work full- or part-time in a job or as a volunteer in the field related to your business idea. This would provide you not only with money to help support yourself (or to accumulate start-up funds), but with insider know-how—tips, vendor contacts, and other important information. You also could get an idea whether this is really the type of business you would like to own and operate.

Expert Contacts

You cannot expect to know everything about business. As an entrepreneur, you will hear the following advice many times (and repeatedly in this book): Before you ever open your doors, have a list of experts and professionals you can consult with on every business matter. Ask for referrals from other small business owners, and make sure these experts are friendly to small business owners and are familiar with the challenges they face. A good source to meet and greet potential experts is through a local chapter of your chamber of commerce or others in your industry.

Work in the industry to get firsthand knowledge and tips and to see if this is a business in which you want to invest your time and money.

Suggested Resources

Book

Guide to Distance Learning: The Practical Alternative to Standard Classroom Education by Pat Criscito (Hauppauge, NY: Barron's Educational Series, 2002).

*Search the web sites to find an office located near you or call (800) U-ASK-SBA (800-827-5722)

Web Info

www.Entrepreneur.com/howto, *Entrepreneur* magazine's free, online, how-to guide, "How to Extend Your Education."

www.entrepreneur.com/topcolleges, *Entrepreneur's* "Top Colleges" listing can help you find a local school that offers entrepreneurship studies.

6. Not Staying Competitive

"A man [woman] of knowledge increaseth strength" (Proverbs 24:5, King James Version), or "knowledge is power." To stay ahead of your competitors, stay informed on the latest trends (not fads) in your industry by regularly reading business and industry publications, attending trade shows, and paying attention to trends. Study reports by respected futurists like Faith Popcorn (www.FaithPopcorn.com) and Gerald Celente (www.TrendsResearch.com) and business strategist, Chuck Martin's Net Future Institute (NFI; www.nfiresearch.com).

Obtain opinions from your faithful and potential customers—verbally, or through customer surveys or additional methods that monitor customers' feedback—to ensure, that your products or services will continue to satisfy them and accommodate their changing needs. This vital market research can help you make intelligent decisions concerning your business's objectives and future plans (see also Methods 80 and 91.)

Suggested Resource

Book

Tough Management: The 7 Winning Ways to Make Tough Decisions Easier, Deliver the Numbers, and Grow the Business in Good Times and Bad (Hardcover) by Chuck Martin (New York: McGraw-Hill, 2005).

7. Unprepared for Business Growth

What if a mail-order catalog house decided to carry your home decor product? Could you (1) produce the required number of items in the specified time allotment? (2) hire competent staff in time to assist in making your products? (3) afford the extra materials required to make X amount of products to fill your orders and still make a profit?

Before you accept a large order or take on a greater number of clients, you will have to revert to your business plan to see if your business is headed in the right direction toward your set goals or if you need to modify and update it. Seek professional advice from business experts—mentors, business coaches,

members of SCORE, and other specialists to help you decide whether expansion is right at this time. Perhaps you should take business growth in smaller increments that are less risky and less likely to leave you overwhelmed and poorer in time and cash.

Suggested Resource

Book

Profitable Growth Is Everyone's Business: 10 Tools You Can Use Monday Morning by Ram Charan (New York: Crown Publishing Group, 2004).

8. Not Writing (or Following) a Business Plan

A business plan is a blueprint, or road map, that provides direction and increases your chances for business survival and success. To paraphrase an old adage, "How will you know where you are going, if you do not know how to get there?" Business plans can be as simple or elaborate as you want them, and need not even be written down, if you have a good memory and recall. But you *should* have a plan. If you do not know how to write one, there are many books, software programs, and experts to assist you in composing your first plan. Seek feedback about your plan from another entrepreneur, or from business experts like officers at a local chapter of SCORE.

A business plan is only effective if you apply it to the management of your business start-up. It is also vital to the success of your business to periodically monitor your plan to see if it needs revising to match your goals and present business activities (see also Chapter 4).

Suggested Resource

Book

Anatomy of a Business Plan, 6th ed., by Linda Pinso (Chicago: Dearborn Trade, 2005). www.business-plan.com.

9. Inadequate Market Research and Testing

Market research is important because it provides the information you need to make business choices that can increase your profits. Without adequate market research and evaluation, you cannot implement successful marketing campaigns and identify customers' specific needs. If your products or services are

not selling, you can reevaluate your marketing research methods; try some new ones; reexamine your products and services to see if they need updating or if you can appeal to different markets. Consult with a market research professional for additional advice (see also Chapter 4).

Effective market research should encompass all or most of the following features:

- The research uses more than one source on which you can base your conclusions.
- It does not abuse the trust or confidentiality of the people, businesses, or organizations that are involved.
- The research is conducted from different points of view to get a clearer picture of how products or services are perceived.
- The budget allotted for the research is adhered to, and the research stops when it reaches its answers.
- It uncovers information that is useful to you and your venture.

There are more criteria to judge whether the market research you carried out was adequate, but if your research is missing one or more of these features, you have to start over again, seek extra assistance from other business owners who are experienced in market research, or contact a marketing research professional.

Suggested Resource

Book

Marketing Research Essentials, 5th ed., by Carl McDaniel and Roger Gates (Hoboken, NJ: John Wiley & Sons, 2005).

10. No Existing Marketing Plan

Just as a business plan is a blueprint for the foundation of your business, a market plan comprises all the essential tactics you need to reach the potential customers who will most want to pay for your expertise or product. It is based on your research and findings. Without a market plan, you may waste or overspend money on advertising and publicity avenues for consumers or businesses not interested in your services or product. Because a market plan includes many specific methods, an effective plan will synchronize all your marketing activities to keep your business going.

Denise O'Berry, author of *Small Business Cash Flow* (www.cashflowtruth.com), says, "Remember that business is about sales. People are not going to stampede to your business just because you put up the 'open' sign. You must have a plan for marketing your business consistently to keep those customers coming through the door."

If you need help in devising a market plan, you can ask other entrepreneurs for tips or—if they are willing to share—examples of their market plans and marketing strategies. As mentioned, you also can hire a marketing consultant or meet with other professionals (see also Chapter 4).

Suggested Resource

Book

Marketing Plans, 5th ed., by Malcolm McDonald (Newton, MA: Butterworth-HeinemannButter, 2002).

11. Not Finding Effective and Affordable Advertising

Advertising is an important part of your entire market plan. The goal is to find the advertising avenue(s) that are the most effective in attracting paying customers, and also those avenues that are the most cost-effective. It is common sense to test your promotional methods and to avoid using just one way to promote your business. Even when you find the right ad combination, you should experiment from time to time with new avenues because you might just find an untapped (and lucrative) market (see also Chapter 9).

Suggested Resources

Books

Do It Yourself Advertising and Promotion: How to Produce Great Ads, Brochures, Catalogs, Direct Mail, Web Sites, and More! 3rd ed., by Fred E. Hahn, Tom Davis, Bob Killian, and Ken Magill (Hoboken, NJ: John Wiley & Sons, 2003).

Guerrilla Marketing Weapons: 100 Affordable Marketing Methods for Maximizing Profits from Your Small Business by Jay Conrad Levinson (New York: Penguin, 1996). Paperback, audio.

12. Ignoring Your Cash Flow Balance

Cash flow pertains to the revenues of your business versus its expenditures. Ignoring your cash flow balance can easily lead to insurmountable business (and personal) debt. Monitor your cash flow balance regularly to make sure your business is making money or is soon projected to do so. Keep accurate records of your spending and of money that is owed you, so you know if you should consult with your accountant for advice or to review your financial policies or projections (see Chapter 5 for more details).

Suggested Resource

Software

Up Your Cash Flow™ XT, created by Harvey A. Goldstein, CPA, www.cashplan.com; cash flow management, financial forecasting and more for small to mid-sized businesses.

13. Overspending

Overspending and overextending credit are easy to do with a business start-up, often because the new business owner cannot acquire traditional funding and has to resort to using credit cards or other high-interest loans. One of the best ways to prevent this is to have a business *budget*. Using your business plan, knowing how to operate various spreadsheet software, and consulting with financial experts will help you set reasonable limitations on business expenditures. These actions will aid you in creating a budget and a financial plan to guide you in making crucial financial decisions and constrain you from impulse spending that could bankrupt your venture.

That advice also pertains to setting up your office with expensive furniture and equipment. Better to start with good-quality used furniture and a few pieces of basic equipment and stay solvent than to impulsively buy too much and go into debt. Start modest, save money, and as your business begins to make money, invest only in the office trappings and the equipment that best serve your needs.

Suggested Resources

Books

Streetwise Finance and Accounting for Entrepreneurs: Set Budgets, Manage Costs, Keep Your Business Profitable by Suzanne Caplan (Holbrook, MA: Adams Media Corp., 2006).

Total Business Budgeting: A Step-by-Step Guide with Forms, 2nd ed., by Robert Rachlin (Hoboken, NJ: John Wiley & Sons, 1999).

14. Trying to Go It Alone

New businesses are the least likely of companies to have properly trained personnel. Savvy entrepreneurs know when and whom to ask for help when they need assistance with business concerns. They assemble their experts *before* trouble arises. Professionals most often used by business owners include lawyers, accountants, insurance brokers, and certified specialists such as computer consultants, virtual assistants, and marketing experts.

Make sure your family or loved ones are aware of the time commitment and other sacrifices that they may have to make as you start a venture. Emphasizing the positive and involving them—but not overworking them—will help gain their support, which you will need as you proceed with your start-up.

Last, join *leads groups* or business organizations to set up a referral network of reliable and honest business owners. Make sure that you feel comfortable in recommending them to your customers and that these resources, in turn, feel confident in referring you to their clients. It is like having an unpaid sales force to help your business grow. (Chapter 6 offers additional networking techniques.)

Suggested Resource

Book

Endless Referrals: Network Your Everyday Contacts into Sales by Bob Burg (New York: McGraw-Hill, 2005).

15. Not Making Full Use of Technology

Richard Henderson, publisher of *Home Business Magazine* (www.homebusinessmag.com) says, “Effective use of rapidly changing information technology will make or break your business.” Learning office management technology and the latest technology related to your venture is essential. It will save you time, improve efficiency and accuracy in your business operations, and help you to keep up with competitors. To find the appropriate technology for your business, ask people in your field for their suggested software, tools, and equipment; or follow your industry association’s guidelines, standards, and recommendations. If you need instruction, hire another business owner to tutor you or look for classes at local learning institutions. There is no excuse these days for not having the basic technological skills to operate your business. Handheld devices for mobile wireless technology and communications continue to become more multifunctional and affordable.

You can enroll in online courses or take advantage of free ones. Hewlett-Packard (www.hp.com) offers everything from digital photography tips to web site basics; and the SBA (www.sba.gov/training/courses.html) online has business start-up courses, including “Marketing 101: The Fundamentals.”

Suggested Resources

Publication

PC Magazine, www.pcmag.com, print publication of articles, reviews of hardware, software, and other technology.

Web Info

Technology web sites (two of many) offering news and information about technology and e-zines:

<http://infoworld.com>, Info World

www.cnet.com, CNET

16. Lack of Customer Care

Late responses to customers' responses and inquiries warn customers, loyal or new, that you do not really care about them or about your products or services. Promptly respond to your customers when they leave messages, be on time with client meetings, and then demonstrate your thanks with a card or small gift after they have purchased your products or services. Periodically, follow up with a phone call or card to offer further assistance or just to keep in touch (see also Method 18). If you take your customers for granted, they will eventually seek out your competitors (see also Chapter 10).

Suggested Resources

Book

Super Service: Seven Keys to Delivering Great Customer Service . . . Even When You Don't Feel like It! . . . Even When They Don't Deserve It! by Jeff Gee and Valerie Gee (New York: McGraw-Hill, 1999).

Web Info

www.customercare.com, Customer Care Institute, consulting, online articles.

17. Incorrect Pricing Structure

You must determine prices that will be fair to your customers; yet they must be high enough to cover your expenses and create a good profit margin. Business experts say you should never sell your product or service by price alone, thinking that having the lowest prices is the only way to attract customers from competitors. Instead, stress the value or benefits your customers will receive by doing business with you.

The more value customers perceive and appreciate, the more they will be willing to pay. A common mistake that new entrepreneurs make is not incorporating the time it takes to produce services or products. Charge too little, and you will never get ahead or have time for anything else other than work; or worse, it may lead to the death of your business. Remember to sell value—not price, and your customers will not forget you (see also Method 43).

Suggested Resource

Book

Strategy and Tactics of Pricing: A Guide to Profitable Decision Making, 3rd ed., by Thomas T. Nagle and Reed K. Holden (Upper Saddle River, NJ: Prentice-Hall PTR, 2002).

18. Not Following Up on Prospective Leads

You need to market to bring in new customers and to maintain a steady cash flow, but keeping regular customers takes less time and effort than acquiring new ones. If you fail to follow up when potential customers inquire about your products or services in response to an ad or referrals, or after they have purchased your product or service, you may not get a second chance to acquire that new client.

Response time to customers' calls, letters, or e-mails should be made the same day or, if possible, within 24 hours. Some follow-up ideas to thank clients for their patronage include sending a thank-you note or a small, appropriate gift (like the thermos that a seller of recreational vehicles sends each customer who purchases a camper or trailer); mailing postcards for special invitational sales; sending congratulatory cards for birthdays and anniversaries; or leaving a nice message on the client's phone either thanking the purchaser or asking if there are any more questions. In an impersonal world, everyone likes to feel important. Let potential and regular customers know they are and that you care.

Suggested Resource

Book

Customers for Life: How to Turn That One-Time Buyer into a Lifetime Customer, rev. ed., by Carl Sewell and Paul Brown (New York: Doubleday, 2002).

19. Inadequate Marketing

As mentioned, marketing for your new business may require as much as 75 percent of your time. It bears repeating, too, that marketing must remain a daily activity of established businesses. The good news is that marketing need not be boring—you can use many traditional methods while testing some creative ones. (Patricia C. Gallagher mentioned in her Foreword that she had her new book's cover spray-painted on her minivan, along with the 800-number for placing orders, as she traveled on her book tour. Marketing *never* stops if a business is to survive and thrive. See also Chapter 7.)

If production is your strength, then hire a salesperson or barter services or products with a marketing firm.

Suggested Resource

Book

The One Minute Sales Person: The Quickest Way to Sell People on Yourself, Your Services, Products, or Ideas—at Work and in Life, rev. ed., by Spencer Johnson with Larry Wilson (New York: HarperCollins, 2002).

20. Lack of Focus

Starting, operating, and expanding a business takes a commitment of time and energy—that is a given. New business owners often go off in too many tangents or sidelines for their business, or they fail to realize how much concentrated time they are going to have to put into a business to make it succeed. Setting goals that were established in the business plan and then taking steps to achieve these goals, one by one, is the only way to accomplish them. You also must prioritize your personal activities. Instead of being the president of a community organization, opt, instead to head one yearly activity.

In her book, *Miracles Happen*,* Mary Kay Ash said she placed God, her family, and then her business in that order. Going in too many directions with your life will prevent you from going forward. To stay on the road to success, focus on your marketing objectives such as programs that reach your ideal customers and strive to get your business's name and image known.

Suggested Resources

Books

Miracles Happen: The Life and Timeless Principles of the Founder of Mary Kay Inc. (New York: HarperCollins, 2003).

Six-Week Start-Up: A Step-by-Step Program for Starting Your Business, Making Money, and Achieving Your Goals! by Rhonda Abrams (Palo Alto, CA: Planning Shop, 2004). www.PlanningShop.com.

21. Failure to Protect Yourself

Be a wise business owner and heed the adage, “Hope for the best, but prepare for the worst”:

* Ask your favorite Mary Kay consultant for a copy of this book. It has many valuable tips for entrepreneurs.

- Protect yourself, your assets, your family, and your business by having insurance: life and disability, disaster, liability, theft, health.
- Make sure you are being legal, with a registered business, licensing, best legal structure, properly worded contracts, adherence to advertising regulations, treatment of employees and independent contractors, and other legal issues.
- Other: Take precautions against security breaches; protect confidential clauses, intellectual property, unpaid invoices, and similar critical documents.

Find out all the risks you could face as a business owner and specifically with your type of business. Then consult with representatives of the agencies and experts who can best advise you about the precautions to take if a worst-case scenario should occur with little or no warning (think about Katrina).

Suggested Resource

Book

Small Time Operator: How to Start Your Own Business, Keep Your Books, Pay Your Taxes, and Stay Out of Trouble, rev. ed., by Bernard B. Kamoroff (Laytonville, CA: Bell Springs, 2006).

22. Outdated Services or Products

“New and Improved!” has been the ongoing advertising campaign for most established companies since marketing began. As mentioned in Method 6, keeping up with the latest trends—not fads—in your industry is important, even to customers who are currently satisfied with your products or services. Think of the first McDonald’s franchise that opened in 1955 and all the variations of sandwiches that the company has had to offer to keep its name in the news and to keep customers returning. Sure, it still has its popular Big Macs, but now there are salads, chicken sandwiches, fruit and yogurt, and other new foods. Your regular customers will expect your standard products or services, but if you find new materials to improve your present products or introduce extra services, it will pique the interest of both regular and new customers.

Then again, you may be forced to go into another sideline. My father-in-law’s metal polishing business disappeared when auto and truck makers no longer made shiny metal bumpers. Instead, he purchased a new machine and offered to degrease metal parts, which turned out to be easier to do than the heavy polishing. (An old Polish proverb says, “You rest, you rust!”) Do not be complacent, and always be ready to move your business forward as your markets change (see also Chapter 12).

Suggested Resource

Book

Think Big, Act Small: How America's Most Profitable Companies Keep the Start-Up Spirit Alive by Jason Jennings (New York: Portfolio, 2005).

23. Not Being Current with Your Taxes

A major reason to keep good financial records is for tax-paying purposes. If you are self-employed or a business owner, you will regularly pay estimated taxes to the IRS, state taxes, and any local taxes that apply to your business. To ensure that you are keeping accurate records of the taxes you will owe (and also are setting aside that money in a separate account) and are paying on time, take advantage of accounting software like *QuickBooks* and *TurboTax*. If you get behind in paying into your tax accounts, it will be difficult to come up with the money when tax payments are due and you may end up having to pay penalties for late payments. All business owners should have an accountant or other financial professional such as an IRS Enrolled Agent (EA) with whom they can consult before they start a business, as they manage their business, and if they decide to expand their businesses. As Jan Zobel, EA, says, "While everyone is looking for a way to save taxes, often the solution is as easy as keeping better records."

Suggested Resources

Book

Minding Her Own Business: The Self-Employed Woman's Essential Guide to Taxes and Financial Records, 4th ed., by Jan Jobel, EA (Naperville, IL: Sourcebooks, 2005).

Web Info

www.IRS.gov, Internal Revenue Service's web site, can download tax forms and instructions pertaining to home and small businesses and self-employed individuals.

24. Fear of Failure or Success

It is natural to have misgivings or fear when you first start a business. That fear of failure can traumatize people and prevent them from ever going beyond the thinking stage of a business start-up. By thoroughly researching and preparing

beforehand, you can decrease your odds of having your business fail. Know your weaknesses and strengths and hire or barter services with other entrepreneurs for the tasks you do not want to handle so you can concentrate on the ones you do well.

Other people actually fear their business *will* grow and succeed. They do not want to give up control of every operation. That is why it is important to know when the time is right to hire employees who can free you to carry on the operations that you prefer or are best at doing. Otherwise, you will be overwhelmed and can easily burn yourself out both physically and mentally; you may also damage your personal relationships because of all the time you spend running your business. Again, use the expertise of your professionals who can guide you through any growing “pains” (see Chapter 13).

Suggested Resource

Book

The 7 Habits of Highly Effective People by Stephen Covey (Glencoe, IL: Free Press, 2004).

25. Surplus Inventory

Unsold items or out-of-date supplies and equipment may cost you money for storage and make you miss a chance to put your outlay in those items to more lucrative uses. Keeping track of your inventory is essential for the survival of your business. Inventory problems may take the following forms: Customers are complaining that your products are unavailable, lack of materials interrupts your production, your back orders are increasing, and your inventories are growing faster than your sales.

Some ways to solve these problems are to quickly sell the items you have in stock to get some needed cash. Use software to track and monitor your stock, and reduce excess inventory that is no longer of use or in demand. If you have a new product-oriented business, keep the purchase of supplies to a minimum until your sales dictate which of your items is the best seller. Do not let vendors dictate what you should buy. Establish and follow the inventory management program that works best for your business.

Suggested Resources

Software

Quickbooks, <http://quickbooks.intuit.com>

Microsoft Point of Sale retail management system, www.microsoft.com

Peachtree Accounting, www.peachtree.com

Tags and Codes

RFID Tags (radio frequency identification tags); check your major search engines for companies.

The Barcode Software Center, www.makebarcode.com

The best way to keep your business's good health is to seek the advice of your accountant or bank as soon as a problem arises. It is better to handle it earlier than later when saving the business may be difficult or impossible. It is important early on to (1) realize there is a problem and (2) contact your business and/or financial advisor ASAP so your business does not end up being a failure statistic.

Having a positive attitude, an effective management system, and a solid business plan are also crucial in preventing your business from failing.

Suggested Resources***Books***

Failproof Your Business: Beat the Odds and Be Successful by Dr. Paul E. Adams (Los Angeles: Adams-Hall Publishing, 1999).

Turning Your Business Around: How to Spot the Warning Signs and Keep Your Business Healthy by Mark Blayney (Oxford, England: How To Books, 2005).