

entrepreneurial SMALL BUSINESS



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Entrepreneurial Small Business

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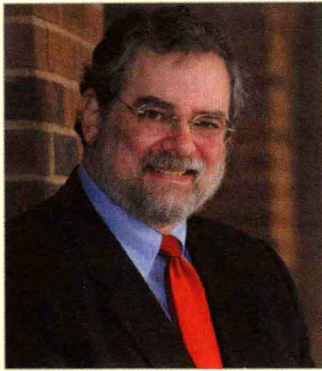
To our parents, who gave us
inspiration.

To our children, who gave us
motivation.

To our spouses, who gave us
dedication.



About the Authors



Jerome A. Katz

Jerome (Jerry) Katz is the Coleman Foundation Chair in Entrepreneurship at the John Cook School of Business, Saint Louis University. Previously he held the Mary Louise Murray Endowed Professorship in Management at the Cook School, and prior to his coming to Saint Louis University he was an Assistant Professor of Management at the Wharton School, University of Pennsylvania. Jerry holds a Ph.D. in organizational psychology from the University of Michigan, and other graduate degrees from Harvard and the University of Memphis.

Throughout the years he has worked in or advised his family's businesses including stints working in the family's discount department store, sporting goods wholesaling, pharmacies, auto parts jobbing, and secondary market wholesaling of frozen food. As a professor he has served as adviser to nearly 200 business plans developed by students at Saint Louis University, whose Entrepreneurship Program (which Jerry leads) has been nationally ranked every year since 1994. Earlier in his career he served as Associate Director for the Missouri State Small Business Development Centers. He has taught, trained or consulted on entrepreneurship education and business development services in Sweden, Switzerland, the United Kingdom, Brazil, Singapore, Israel, Croatia, and the West Bank. His consulting firm, J. A. Katz & Associates, has a client list including the Soros, GE, Kauffman and Coleman Foundations as well as the Jerusalem Institute for Israel Studies, Sweden's Entrepreneurship and Small Business Research Institute, the International Labor Organization (ILO), RISEbusiness, the National Federation of Independent Business, the National Science Foundation, and the Committee of 200.

Inc. Magazine identified him in its 1995 and 2001 issues as one of the world's top small business researchers. He has done research and theorizing on career models of entrepreneurship and entrepreneurship/small business education, as well as collaborating with others on topics as diverse as opportunity recognition (with Connie Marie Gaglio), the properties of emerging organizations (with William Gartner), Internet-based businesses (with Scott Safranski), and international entrepreneurship (with Sumit Kundu).

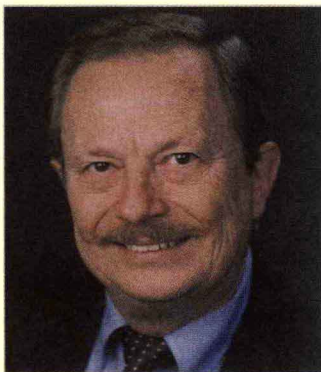
Jerry edits two book series, *Advances in Entrepreneurship, Firm Emergence and Growth* (with Dean Shepherd and Tom Lumpkin, published by Elsevier) and *Entrepreneurship and the Management of Growing Enterprises* (published by Sage) and has edited over a dozen special issues on small business, entrepreneurship, and entrepreneurship education for journals such as *Entrepreneurship: Theory & Practice*, *Academy of Management Learning & Education*, *Entrepreneurship & Regional Development*, and *Simulation & Gaming*. He has been a member of the founding editorial boards of *Entrepreneurship: Theory & Practice*, *Entrepreneurship & Regional Development*, *Academy of Management Learning & Education*, *International Journal of Entrepreneurship and Small Business*, and the *International Journal of Technoentrepreneurship*. He has also served on the editorial boards of the *Journal of Business Venturing*, *Journal of Small Business Management*, and the *Academy of Management Executive*.

Following his parents' tradition of civic entrepreneurship, Jerry has served the profession working his way up to become Senior Vice



President for Research and Publications of the International Council for Small Business and eventually Chair of the Entrepreneurship Division of the Academy of Management. He was also one of only a handful of small business or entrepreneurship faculty to be elected to Academy-wide office, serving as a Governor of the Academy of Management from 2000–2003. He developed eWeb, one of the first Web sites dedicated to entrepreneurship education, and he was a winner of top-tier ratings from Anbar, Argus, LookSmart, and Studyweb. Other innovations in small business education in which he was involved included co-developing the *Gateways to Entrepreneurship Research* Conference, as well as the first adjunct teacher's guide and first center director consortia in the field.

For these efforts, he has been a recipient of more than a dozen major professional awards including Babson's Appel Prize for Entrepreneurship Education, the Family Firm Institute's LeVan Award for Interdisciplinary Contributions to Family Business, the Outstanding Lifetime Achievement Award given by the Academy of Management's Entrepreneurship Division, as well as Mentorship Awards from the Entrepreneurship Division of the Academy of Management, and from Saint Louis University's Graduate Student Association. In 2004 he was elected the fiftieth fellow of the U.S. Association for Small Business and Entrepreneurship, and in 2005 he received Saint Louis University's John Cook School of Business Alumni Award for Outstanding Educator.



Richard P. Green

Richard Green is a successful serial entrepreneur who has started, built, and sold several businesses across an extraordinarily wide range of industries. His first business was an electrical sign repair company, which he began while an undergraduate student. Since then, Richard has started two other sign companies, a structural steel business, a manufacturer of stainless steel products, a real estate brokerage, and a tax return preparation service. During the “go-go banking” years, he held controlling interest in a state-chartered bank. More recently, Richard, with his long-time associate Richard Carter, conducted the start-up of Lineas Aereas Azteca (Azteca Airlines). Today the tradition of diversity continues with Richard serving as co-owner with his spouse of a San Antonio bed-and-breakfast, the Adams House, while at the same time serving as Chief Financial Officer of a high-tech start-up, Celldyne Biopharma LLC. As a corporate entrepreneur, Richard has worked on expansion plans for companies as diverse as the Mexican airline Aerolineas Internacionales, Minneapolis based Land O'Lakes, Inc., and the Venezuelan dairy, Criozuca, S.A.

Richard brings a similarly diverse set of skills to *ESB*, ranging from a pilot's license (he was a professional pilot, instructor, and check airman for TWA) to a CPA. A late-life Ph.D. (from Saint Louis University), he is currently Associate Professor of Accounting at the University of the Incarnate Word in San Antonio, Texas. His academic achievements are similarly impressive, with papers in the proceedings of NACRA, American Accounting Association Midwest, the American Association for Accounting and Finance, and the International Council for Small Business, as well as journals such as the *Atlantic Economic Journal*

and *Simulation & Gaming*. Richard also authored more than three dozen articles in popular magazines on topics ranging from personal computers to financial decision-making. Richard is co-developer (with Jerry) of the measures for financial sophistication in the Panel Study of Entrepreneurial Dynamics, and is senior author of *Investigating Entrepreneurial Opportunities: a Practical Guide for Due Diligence* (Sage). He has received research grants from Pharmacia Corporation and the Kauffman Foundation.

Always active in professional and civic roles, Richard's contributions have ranged from serving as chair of the Airline Pilots Association's grievance committee to serving on the City of San Antonio's Air Transportation Advisory Committee. He is a member of the American Accounting Association, Academy of Management, United States Association for Small Business and Entrepreneurship, North American Case Writers' Association, and the World Association for Case Method Research and Application.

Preface

This book got its start with a simple question from my mother, “What is the difference between what you teach and what your father did for a living?”

We were sitting *shiva* (which is the ancient Jewish tradition of mourning), in this case after the death of my father, a Polish immigrant to the United States who had been a small business owner for almost 50 years at the time of his death in 2003. When sitting *shiva* the immediate family mostly sits and reflects and prays for a week, so my mother, sister, and I had plenty of time to talk. And talking as we did, the question came up.

I gathered my thoughts for a minute. First off, I realized that throughout his life my father had picked up on my comments about the very rare high-growth, high-tech businesses that came through my class. Somehow he thought that was who I had as my run-of-the-mill student. That was funny to me, because in teaching entrepreneurship for nearly 20 years, fewer than a dozen of the several hundred business plans I worked on involved high-growth, high-tech firms.

But thinking about what my father heard, I realized that I talk about two sets of rules, one for when I have a potentially high-growth business and another for the more conventional businesses that most of my students start and that my own father had mastered three times in his life. The answer to my mother came out this way:

Conventional Small Businesses

Imitation

Autonomy

Control as goal

Financial independence

Fund with your own money

Cash flow as key

Cash crunch? Tighten belt

High-Growth Ventures

Novelty

Involve key others

Growth as goal

Wealth

Fund with other peoples' money

Profits as key

Cash crunch? Sell more

The list goes on, and you will have a chance to see it in Chapter 1, but this gives you an idea of the difference. I told my mother that when I am teaching to students who have really big dreams, I try to get them to create businesses that would be innovative, using new technologies or markets. These would be businesses that could grow to be big businesses, creating major wealth for their founders. The founders are in it for the wealth. They expect to go after others' investment in the business and they expect to give away some of their autonomy along with their stock. My father's businesses were imitative, businesses like those already existing. He did the businesses to have a comfortable income and wanted to limit his growth to what he could comfortably control personally. No investors, no one second guessing him. When times got tough, my father would cut his expenses; in a high-growth business that's when it needs to sell more. My father's business was built on his personal reputation, while high-growth firms try to maximize the reputation of the firm or its products.

I kept talking, but as I listened to myself, I realized that I had never seen a book that talked about small business the way I described it. I have students who have started such businesses—in fact the vast majority of my students have started businesses in their own ways much like my father's three firms. I continue to help those alums out with advice, just as I did my father and his business. But in the end, what was important was that they *were* a different kind of business, and I felt that no book really addressed it that way anymore.

That was why I decided to write *this* book, and get Richard to join me in the effort. Why Richard? Because I knew a person with a story like his would make a great co-author for a book like this. His story goes like this:

“When Jerry first asked me if I would be interested in co-authoring a new small business management text, I was a bit reluctant. Where would I create time for such a daunting task?” I asked myself. “But when he described his vision—a text about starting and managing the type of small businesses that we patronize every day—restaurants, beauty salons, plumbing companies, lawn care firms—I became enthusiastic. Yes, I definitely wanted to be part of a project that would deal with the 98 percent of businesses that start small and stay that way, not the 2 percent that become CNNs, Oracles, and Dells.

“In many ways, I exemplify the type of entrepreneur for whom we wrote this book: people who start and operate the many ordinary enterprises with which you do business every day.

“I come, unlike Jerry, from a family of employees. Neither of my grandfathers and none of my many uncles and aunts were ever business owners. My father began working as an employee while he was still in high school, and he continued as an employee until his retirement. I, on the other hand, started my first entrepreneurial enterprise the summer I was 12. I began my first “real” business the summer I was 18. In the years since, I have started several businesses and purchased three. In between businesses I have been, as my father and his father, an employee.

“Not a single business that I have owned has ever been high tech, high growth, or even high innovation. I started every one either because I needed a source of income right then or because I expected to lose my current job very soon and didn’t want to live on unemployment. I have been an owner-manager in the electrical sign business, structural steel erection, light manufacturing, consumer electronics retailing, real estate brokerage, construction, farming, and lodging.

“Why so many businesses, you may ask. My mother probably would say that I have a short attention span. However, the real answer is that each time I started a business I took the first opportunity available, not necessarily the best opportunity. And what was the result? Some, such as the Grandview Sign Service Co., went broke (but not before it paid for flying lessons). Signgraphics, Inc. was sold. Paul’s Sound Shop was a victim of recession. Real estate brokerage was financially very successful, but I hated the business. When my top producing salesman finally passed his broker’s exam, I eagerly made a deal for him to buy the company. I am still actively engaged in construction and in the lodging industry.

“My interest in entrepreneurship as a field of study stems from this varied experience. I asked myself many questions, including, Why did I just make a living in the sign business, while Ted Turner made himself a billionaire from the same beginnings? Why is it that Paul’s Sound Shop didn’t become a retail behemoth as Best Buy did, although both started about the same time? And am I a success because I made money in several different businesses, or a failure because none became big businesses? This book is largely the result of my search for answers to these questions.”

Together, Richard and I crafted our approach for *Entrepreneurial Small Business*, and as we will point up in the business planning chapter, all plans start with a vision.

The ESB Vision

In *Entrepreneurial Small Business*, you will not find a lot on venture capital, and very little on strategic concepts like “first to market.” What you *will* find is a lot of coverage of the kinds of businesses most people (and especially most undergraduate and lifelong learning students) really *do* start—small businesses in traditional industries and markets. These businesses are vitally important—we will tell you why we think so in a moment—and helping them survive has long been an art. Today like never before, that art is supplemented by science, and that is where your class—and this book—can help. In *ESB* we try to build a book that can combine the art of small business survival and the science of small business. If you can get the benefit of both *before* you

get into your business, you are likely to do better than someone who has to get by with the advice they can catch on the fly as they get started.

Over the past 10 years, there has been a quiet revolution among professors of entrepreneurship and small business. Together they control resources such as entrepreneurship centers, endowed professorships and chairs, and even endowed programs worth more than *one billion dollars*. They dedicate a portion of that to research, and governments around the world contribute even more. Today, more than 40 countries annually survey their people to determine the level of entrepreneurial and small business activity (check www.gemconsortium.org to see the results). Another group called the Panel Study of Entrepreneurial Dynamics (PSED) has been tracking hundreds of people in the process of starting businesses to see what they encounter. Look at <http://projects.isr.umich.edu/psed/> to see its results. We have even had the privilege of working together to contribute some of the questions asked in the PSED.



There are more than 50 journals in which professors write about what works and does not work in small firms. What this means is that for most of the topics of concern to small business owners, there are actual results helping define what works and what does not. What is great to see is that much of the new knowledge supports the best practices we have come to know—careful cash management, planning, customer focus, making loans that make financial sense, getting advice from others, and networking, for example—and they continue to make sense in research as in practice.

And sometimes the research helps us improve our thinking. Today we have whole sectors of strategic planning that work on the assumption that your business is entering a crowded industry (like being the eleventh Italian restaurant to open in town). Those sectors of strategic planning focus on how to get established and be noticed by customers already flooded with choices from your competitors. This new knowledge pops up in unexpected, but welcome places—like substituting competencies for personality profiles in deciding who should be successful at becoming an owner—but the point of *ESB* is to get that knowledge and make it available to you, the small business owner of today or tomorrow. You and your business deserve every break you can get, and our economy and society *need* you to survive and succeed.

Why is that so important? That has been the other revolution, and it has proceeded with a bit more fanfare than the academic research one. It turns out that small business is essential for big business, and it is essential for high-technology, high-growth business, and it is essential to our communities. In a world of relentless cost cutting and global competition, big businesses outsource everything but their most critical tasks. Often the best expertise, the best service, or sometimes even the best price exists in small businesses. Whether it is janitorial services or new product development, big businesses increasingly depend on small businesses to get their jobs done.

Small business is essential to our communities in much the same way. If you come from a small town or a neighborhood that gets passed-by by the big chains, you know how important small businesses can be. Without small businesses, there might be *no* places to buy products or needed services. Big business and small communities depend on small business to get the job done.

For high-tech businesses, the same argument can be made, but there is also another issue—that small business *defines* the community in important ways. If you work in IT, biotech, nanotech, medicine, media, or the like, when you finish your day in the lab or cubicle, where do you want to be? In a soulless, interchangeable town or a vibrant and diverse locale? These members of the “creative class,” as Richard Florida calls them, are demanding customers. They make their livings from their minds, and those minds crave stimulation, whether at work or at play. A big part of stimulation comes from being diverse, different, *special*, and that is where small businesses come into play. You can go to a dozen different small coffeebars, and each is distinctive. Go to a dozen Starbucks, and they are all pretty much the same. There are times we all crave the expected, but

the creative class also often craves the unexpected, and that is much more likely in small businesses than chains and large firms. No high-tech center can survive as a place to live without the excitement and variety a population of small businesses can provide.

The fact is that *every* small business is important, for two reasons: first because we can never be sure which ones are unimportant (if you can believe there could be such a thing), and second, it takes a lot of small businesses to support and enable one billion dollar business.

For us, one of the lessons of the PSED was that while high tech might be the ship folks hope will come in, for it to work that ship needs to be supported by an ocean of small businesses. Billion dollar high-tech companies are rare. Less than one in 100,000 start-ups achieves that billion-dollar level. The irony is that *nobody* knows which of the next 100,000 start-ups is going to be that next billion dollar business. All we can do is try and start as many as possible, knowing the more that get started, the greater the chance of that one breakthrough success.

And the fact is that nearly every big business got its start as a small business. HP really *did* start in a garage, and Wal-Mart started small in rural Arkansas. They are giants today, but some part of their culture got defined in those early days when they were small businesses. When they started, none of their founders *knew* they were going to become billionaires, and neither did their investors, bankers, lawyers, or friends. You start your business, you take your chances, and the rest of us hope you make it.

In the meantime, however, those hundreds of thousands of starts literally help support big business and high-tech businesses. They do this by providing jobs and wages to half the country so people can buy things. They do this by providing products and services to big and high-tech businesses, and they do this by training and preparing the next generation of workers and owners. Small businesses for the past 25 years have been the major source of new jobs created in the United States. While the Fortune 500 have cut their payrolls by millions, the slack created has been filled by small businesses and especially those small businesses that grow to multiple sites or multiple shifts.

When you start on the path to creating your own small business, you make life better for us all. *Entrepreneurial Small Business* is dedicated to giving you the specific help you need to get started and be successful.

The ESB Network

If there is one key lesson of *ESB* it is that “help helps.” It turns out that entrepreneurs who get help, whether from consultants, lawyers, industry or trade associations, mentors already in the business, incubators, small business development centers, or (gasp!) even business school professors do substantially better than those who try to get by alone. That is true for us too. As that body of small business knowledge grows, it also grows more specialized. For creating *ESB*, the key question we always asked ourselves was, “What is absolutely necessary for our students to know in order to succeed?” We tried wherever possible to get to the point quickly, and give the points that are essential. To do that across fields ranging from A (accounting) to Z (zoning), we needed help.

To get us pointed in the right direction and help us make informed decisions about what was absolutely important and absolutely right, we depended on our network. Over the years, through work with students pursuing their Ph.D.s at Saint Louis University’s John Cook School of Business, and through work with professors at other schools, we developed a network of colleagues, just as you will discover we suggest *you* do.

These colleagues include graduates of the doctoral program who worked with Jerry: Co-author Richard Green, CPA, an expert in accounting and now a professor at the University of the Incarnate Word in San Antonio; Kathy Lund Dean, an expert on ethics, now teaching at Idaho State University, Pocatello; Father Gregory Konz, an expert on women's and ethnic entrepreneurship and co-director of the Kohler Center for Entrepreneurship at Marquette University; and Susan Peters, an expert in marketing, now teaching at California State Polytechnic University—Pomona. We also depended on other professors at Saint Louis University, such as Laurel Boone, JD, an expert in business law, and Scott Safranski, an expert in organizational processes. The members of the network who did not pass through Saint Louis University included Lisa Gundry of DePaul, who is one of the nation's top experts on creativity in business, her protégé Jill Kickul, now the McCandless Chair of Entrepreneurship at Simmons College whose own expertise focuses on marketing and human resource management, and Janice Jackson of Western New England College, who is an expert on minority issues and educational design.

It is common for texts these days to make use of a number of outside experts, but what is unusual about this group is that they have known and written together for most of their professional lives. The ten people mentioned above have authored more than three dozen papers together over the past 15 years in small business, entrepreneurship, and other business disciplines. This group has been instrumental in creating an approach to small business and entrepreneurship that is strongly identified with Saint Louis University's John Cook School of Business and has been part of the reason the school's entrepreneurship program has held one or more national rankings every year since 1994. *ESB* in many ways is the culmination of a view of small business we have been working on for more than a decade.

It makes for a very strong sense of shared vision and a strong shared basis in our common discipline, small business. This extended even to our ancillaries (which is what publishers call the additional materials that go with a textbook), which includes network members such as Susan Peters, who handled the student and instructor guides, and Pamela Williams, who got her doctorate at SLU and now teaches at Culver-Stockton College, who handled getting the PowerPoint slides together.

One other aspect of this group and the co-authors is that by and large they have been entrepreneurs and worked with small businesses. We all consult for small businesses as well as work with them through our schools and classes. Richard has consulted with small, entrepreneurial businesses in Missouri, Texas, Mexico, and Venezuela, Jerry with small businesses in Tennessee, Mississippi, Michigan, Pennsylvania, New Jersey, Missouri, Illinois, Croatia, Israel, the West Bank, and Sweden, and Susan worked with businesses in California, Tibet, Venezuela, Malawi, and Poland. The list goes on, but the point is that a part of the shared vision is rooted in the idea that research is not enough; staying involved with small business is central to being effective in teaching it.

We also want to thank a remarkable group of students, who agreed to share their work with you. Every business plan, industry analysis, marketing plan, and feasibility study you see in this book or on our Web site was authored by a student. This gives you a very realistic idea of what students *can* do using the ideas and approaches in *ESB*. Our thanks go out to our students and alums of the Entrepreneurship Program at Saint Louis University (in alphabetical order): Julia Dalton, Rebecca Ellis, Beatrice Emmanuel, Collin Fischer, Alon Ginzburg, Tim Hayden, Patrick Hughes, James P. Keating, Scott Kettner, Eric McMahon, Plamen Radev, Theresa Resnik, Todd Robben, Kristin Scully, Denis Thein, Tim Tobben, and Dan Watkins. The business plan class where these students did their work has always been co-taught by Jerry and an entrepreneur, and those entrepreneurs left their mark on the plans you see. They included Steve Rull of Hancock Securities, Robert Vitale of the Westgate Group, Rich Pisani of American Marketing Group, and two now retired entrepreneurs—Terry Dougherty and Madonna Laws-Lowell. When Jerry was on sabbatical, the course stayed in-network,

being taught by two names you have heard before—Richard Green and Kathy Lund Dean.

As you would expect with our network of colleagues, there is also a host of students at other schools who contributed to the materials you see in *ESB*. These include Shannon Sheehee (California Polytechnic University—Pomona), Yong Xu (California Polytechnic University—Pomona), Mingkit “Jerry” Lai (California Polytechnic University—Pomona), and Laurel Ofstein (DePaul).

One of the unpredictable benefits of starting a project like *ESB* is that you make new collegial relationships along the way. *ESB* gave us the chance to get to know and appreciate the talents of people like Rick Koza of Chadron State College, who did the initial draft of the first SIFE module ever included in a small business text, as well as David Toooh of the University of New Hampshire, who worked on most of the cases at the end of the text. Robert Ledman of Morehouse College also contributed the Saunders case at the book’s end. Dr. Jennifer L. D. Shaver helped by running new analyses of the PSED for some of the results we report in *ESB*. Ed Rogoff of City University of New York and Allison Lehr of CUNY’s Field Center for Entrepreneurship contributed business plans that their students had done according to the model used in *ESB*.

Keeping with this networking idea, you will see that this book makes extensive use of several strategic partnerships. These include the Global Student Entrepreneur Awards program (www.gsca.org), which celebrates collegiate entrepreneurs, the Panel Study of Entrepreneurial Dynamics, *Entrepreneur* magazine and its affiliates, and even Google, a billion-dollar company which started as a two-person small business.

Some online content for this book is provided by The Biz Info Library (www.bizinfo library.org) which contains articles, case studies, best practices from and/or about successful entrepreneurs, how to articles, entrepreneur training materials, and extensive information and data resources specifically developed to assist small businesses. The library is a joint project of the Ewing Marion Kauffman Foundation (www.kauffman.org), the Edward Lowe Foundation (www.edwardlowe.org) and the James J. Hill Reference Library (www.jjhill.org). From examples such as these, we hope you will see the practical value of strategic partnerships, which we talk about in Chapters 2 and 7. The fact is that we can show you more about the world of small business *because* of our partnerships, and that makes the book, and your experience, better. With *ESB* based at McGraw Hill, we have the unique opportunity to build using the remarkable resources of this great publisher, having access to *BusinessWeek* and one of the most extensive collections of text, case, and Web materials in all of academia.



The ESB Package

Professors reading this are probably wondering how all this translates into helping them teach their courses. One way we hope to help is through providing “imitation with a twist,” which you will learn more about in Chapter 7. There are many other small-business texts out there, and from an author’s perspective, they can be intimidating because so many of them *are* so good. So how can *ESB* expect to get your attention? As you will find as you look through the book, all the major topics you expect to see are present—that’s the imitation that is basic to all mature industries (like small business education).

What adds value are those aspects of the book that are distinctive—our “twists.” We give the specifics on how to sell, how to negotiate, how to ask for help, and how to handle a crisis, building from the best of research and professional practice. You will see it in small touches in the chapters, such as our discussion of issues such as when you get or use gifts as a way to fund start-ups, or why an LLC should be your default legal form of organization. We tried hard to give students the easiest introduction



possible to the potentially frightening issues of accounting and financial reports. *ESB* is also the first book we know of that has devoted a chapter to the special needs and problems of part-time businesses. It is the first book to embrace not just business plans, but the increasingly popular external projects, such as those sponsored by Students in Free Enterprise (SIFE) or the Small Business Institute (SBI). We include real-life, high-quality *student written* examples of the reports we expect students to work up as they start their business. And all the while we tried to keep the *ESB* vision in the forefront—asking ourselves what the absolutely critical things are for our students to know in order to start their small businesses and succeed in them despite a lot of competition. We have tried whenever possible to focus on providing just what is needed, and what would be relevant for the traditional small businesses our students most often start.

The ESB Role/Goal/Celebration

This book started with a wife and mother's simple question about the difference between the traditional small businesses her husband started and the high-growth ventures she heard about in her son's stories. Today there is a groundswell of converging ideas in business, economic development, job creation, and government showing us that the revitalization of those traditional small businesses is a key component of reviving our economies and communities.

Our students know this. The Kauffman Foundation-sponsored surveys of youth attitudes report the highest rates ever recorded for young people planning to be self-employed. Adults in our neighborhoods know this. Every day over 2,700 new businesses start in the United States, and about 2,695 of them are small businesses. New forms of small business, such as eBay selling, are further swelling the numbers of small businesses in ways that government record-keeping does not yet record. Like those students and adults, *Entrepreneurial Small Business* also knows this revitalization is taking place, and we want *ESB* to help.

For students, we want *Entrepreneurial Small Business* to be your handbook, lightning rod, and motivator. When you read this book, mark it up! If something is important to the way you plan to run your business, dog-ear the page or highlight the material. Write how something applies to your proposed or existing business. If you have not started a journal for business ideas, start using the margins or end pages of this book to hold them. We know from experience there is a simple way to see if a book is really valuable. In college, the *really* valuable book is the one students do not sell at the end of the semester, because they actually see themselves using that book. If you are serious about becoming an entrepreneur and we did *our* job right, then success is measured in books kept and marked up. If you are serious and the book did not do the job for you, let *us* know what we need to do better. We got this far on the wisdom of a network of a lot of students and faculty, and as you go through this semester, you become part of the network, too.

For faculty, our job as educators is not just to know about this small business groundswell, and not just to help make this work, but to *celebrate* this. Academics have the power to legitimize through their acceptance and support, and they have the power to propagate through their contacts with hundreds of students and businesses a year. But most of all, we have the

power to excite and to energize, most often through our own energy and support and occasionally even by the new opportunities and vistas we open for our students. You and all of us collectively have an important contribution to make to the revitalization of small business as a key component of the economy, just doing what you do every day.

We, the people behind *ESB*, want to be a part of that effort with you—providing the examples to celebrate, the realities that help prepare our students for what they will face, and most of all the skills, knowledge, and resources that will prove to them that most critical of concepts in life and in small business success—“help helps.”

We are the authors behind *Entrepreneurial Small Business*. We want to help. Let us know how we could do so better in the future. And welcome to the network!

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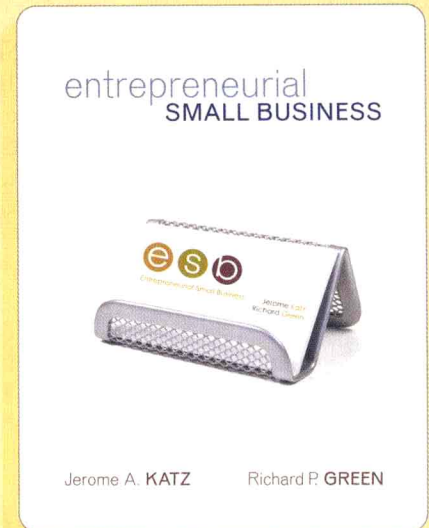
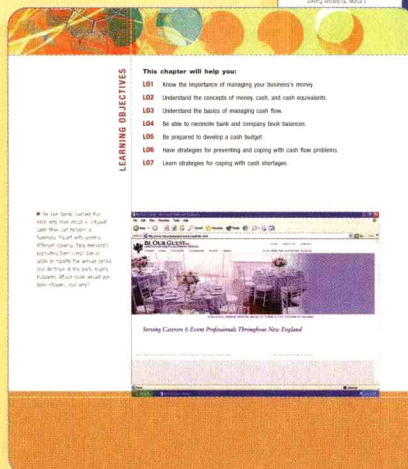
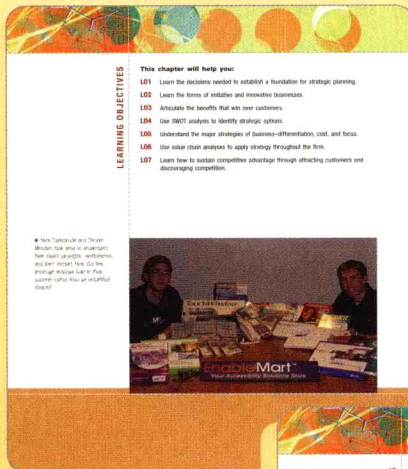
Entrepreneurial Small Business

FINALLY . . .

a book about the kinds of businesses your students are most likely to start.

Entrepreneurial Small Business provides students with a clear vision of small business as it really is today. It focuses on small businesses that students might actually start versus high-growth firms dependent on venture capital. It presents the *realities* small business owners face every day and strategies for those starting or maintaining a small business.

There are several chapters that emphasize the distinct focus of this book.



Chapter 7: Small Business Strategies: Imitation with a Twist

Most small businesses go into established lines of business. This text emphasizes the benefits of this strategy.

SMALL BUSINESS REALITY: Almost two-thirds of people starting business today plan to use imitation as their approach.

Chapter 5: Small Business Entry: Paths to Part-Time Entrepreneurship

Part-time businesses are tremendously important as they are a major portion of all current entrepreneurship, and it's the way most people enter into self-employment. This chapter discusses the benefits—and challenges—of part-time entrepreneurship.

SMALL BUSINESS REALITY: 75 percent of those starting a business already work full time for someone else and are pursuing their new business part time.

Chapter 14: Cash: Lifeblood of the Business

All small businesses must understand how to manage the business's cash flow. This chapter focuses on the basics of cash, budgets, shortages, and strategies to deal with cash flow problems.

SMALL BUSINESS REALITY: About 55 percent of small businesses that fail do so because of cash flow problems.

