

THE  
**Entrepreneur**  
Magazine

THE  
SMALL  
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**SMALL  
BUSINESS  
ANSWER BOOK**

*Solutions to the 101  
Most Common  
Small Business Problems*

**JIM SCHELL**

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**The Entrepreneur Magazine  
Small Business Answer Book**

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**Solutions to the  
101  
Most Common  
Small Business Problems**

**Jim Schell**



**JOHN WILEY & SONS, INC.**

**New York • Chichester • Brisbane • Toronto • Singapore**

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Published by John Wiley & Sons, Inc.

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***Library of Congress Cataloging-in-Publication Data:***

Schell, Jim.

The Entrepreneur magazine small business answer book : solutions to the 101 most common small business problems / James Schell.

p. cm. — (Entrepreneur magazine small business series)

Includes bibliographical references.

ISBN 0-471-14841-5 (cloth : alk. paper). — ISBN 0-471-14842-3 (paper : alk. paper)

1. Small business—Management. I. Title. II. Series.

HD62.7.S328 1996

658.02'2—dc20

95-53200

Printed in the United States of America

10 9 8 7 6 5 4 3 2 1

# Preface

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Today is the age of the new entrepreneur. Every year, 750,000 of us enter the small business fray. Some come toting sophisticated business plans, state-of-the-art financing packages, and experienced management teams. Others come bearing little more than a blueprint, a savings account, and a long-festering dream. Some march into this career armed with graduate degrees in small business, others shuffle in with no previous business experience. There are no entrance exams in this vocation—entrepreneurs come from everywhere.

Yet, though our backgrounds may be different, every entrepreneur has two things in common. The first is that we're all embarking on a multifaceted and demanding career that poses a myriad of head-scratching questions. The second? You have to have been there to know how to answer those questions. And most entrepreneurs haven't.

Enter this book. You are about to be treated to 101 answers to the 101 questions the new entrepreneur will most likely ask. These answers encompass everything a small business owner and operator needs to know: from the start-up to the operation of an ongoing business; from an inside look at the species *entrepreneur* to how to manage employees; from the specifics of locating financing to the theories of *gamebreaking insights*. Whatever is needed to survive this roller coaster career, all can be found in the following pages.

*The Entrepreneur Magazine Small Business Answer Book*, incidentally, is not to be confused with *Gone with the Wind*. It should not be read from cover to cover and filed away in the archives somewhere to gather dust. Rather, it should be placed in plain view on the entrepreneur's desk top, to be referred to when questions arise—which won't be long, if you're anything like the rest of us.

Yes, questions *will* arise because this is a befuddling profession, especially for those who come trailing big business backgrounds. Remember, this small business gig is a lonely one. There are no legal departments to point out our judicial options, no human resource departments to resolve our personnel issues, no CFOs to call upon when our accounting questions arise. We're it. We either make the call or the call doesn't get made.

A quick disclaimer here. Yesterday's entrepreneurs were nuts and bolts kind of folks. Thus the answers they demanded were nuts and bolts, too; their primary goals were the *hows* of running a business. Meanwhile, today's successful entrepreneur must be as well versed in the *whys* of creating a small business as he is in the *hows*. As a result, the reader will find a sprinkling of theory midst the downpour of specifics presented herein. Yesterday's successful entrepreneurs will understand why.

What are my qualifications to answer these 101 questions? I've been there. Done them all. Answered each of these questions on more occasions than I'd care to admit. I was a bootstrapping entrepreneur (started my own business from scratch) four times over a 22-year career—created four successful small businesses, with the fourth and final business growing to \$25 million in sales and 200 employees.

Over the course of those 22 years I've seen and done it all, where a privately held small business is concerned anyway. I've experienced just about everything that can befall a small business owner including runaway success, heart-stopping cash flow problems, and the most deadly killer of them all, entrepreneurial burnout. I've made an impressive number of right moves and an equally impressive number of wrong moves. As a result, I've learned the dos and don'ts, the shoulda's and coulda's, and the yeas and nays of starting and managing a small business. And I've come to despise the time-honored trial-and-error system that is a part of every new entrepreneur's modus operandi.

My intent in writing this book? To destroy that trial-and-error system forever.

Make no mistake about it, this career is significantly more complex today than it was 25 years ago. But the rewards it offers are significantly more exciting, too. The sky now falls somewhere short of the limit, as Bill Gates, Ted Turner, and a host of yesterday's successful entrepreneurs continue to prove every day.

I'll admit the questions in the following pages are not unique. They are the same questions that every entrepreneur, male or female, private or public, successful or unsuccessful, has faced over our unpredictable careers. Bill Gates, Ted Turner, or your neighborhood grocery store owner, it matters not. Each of us has confronted them all.

It's the answers herein that are unique. As unique as the entrepreneurs who have taken advantage of them. Hopefully, this will include you.

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## **PART I**

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# **The Entrepreneur and Small Business**

A number of common denominators define the successful entrepreneur and his or her successful small business. Something that makes the entrepreneurs who survive different from those who don't. Something that separates the small business that lands on its feet from the one that falls on its face.

Something that makes the *Microsofts* out of the *mom and pops*.

Let's see what those somethings are. . . .



# QUESTION

## **Q** “What is an entrepreneur?”

**A** The dictionary defines an entrepreneur as “a person who organizes and manages a business undertaking, assuming the risk for the sake of the profit.”

Baloney, risk and entrepreneurs have very little in common (see Question 86).

*My definition of an entrepreneur is “a person who would rather trust the marketplace than the East Coast regional manager.”* The successful entrepreneurs I know would rather roll the dice themselves than have someone else roll the dice for them.

Other conceptions, or misconceptions, that people have about entrepreneurs include:

- Some say entrepreneurs are courageous. (They aren't. People who depend on East Coast regional managers for their livelihoods are the courageous ones.)
- Some say entrepreneurs make lousy employees. (They usually do.)
- Some say entrepreneurs are control freaks. (They usually are.)
- Some say entrepreneurs value growth more than security. (They'd better.)
- Some say entrepreneurs thrive on change. (Ditto above.)
- Some say entrepreneurs are workaholics. (They aren't. They may work long hours, but entrepreneurs work to achieve, while workaholics work to escape.)

Yes, entrepreneurs are people who have decided they can beat the marketplace themselves. Their reasons are varied and many . . .

they have a better mousetrap perhaps, or know of a better distribution system, or can assemble a better team. There is no limit to the dreams of entrepreneurs.

So, what does it take for us to become entrepreneurs?

Not much. Let's face it, we aren't talking about a close-knit community of well-trained, career-educated, finely tuned professionals here—just about any warm body can become an entrepreneur. A letter-head here, a fax machine there, and zap, zap—you're an entrepreneur. Deciding to become one is not the same as deciding to become an aeronautical engineer.

But what about a successful entrepreneur? Can anyone become one of these?

The answer is a resounding no.

Having *the dream* is not enough. We must also have the passion to accomplish the tasks required to fulfill that dream. And then we must be willing to make the commitment to accomplish those tasks. And finally we must be capable of achieving results: doing whatever it takes to turn those commitments into reality.

My intention is not to romanticize the entrepreneur. We certainly confuse debits with credits, wear socks that don't match, and forget anniversaries, just like everyone else. But make no mistake about it, this career is not for your basic accountant, payroll clerk, or government employee.

This career is for people who are driven to achieve.

# QUESTION

**Q** “What is the difference between today’s and yesterday’s entrepreneur?”

**A** Telecommunications, politics, and major league baseball are not the only career fields that have suffered through wrenching changes in the last twenty-five years. Entrepreneuring has, too.

Remember yesterday’s entrepreneur? He or she of the sweat-stained armpits? In the cluttered office? Hunched over the ledgers in the wee hours of the morning? Who made all the decisions, called all the shots, and had his or her nose stuck permanently in every employee’s business? Yesterday’s entrepreneurs were the sweatshop kings and queens of the world, dictating the affairs of their companies the same way Archie Bunker dictated the affairs of his family. With the mouth and, when necessary, with the fist.

I should know. I was one.

How times have changed.

Yesterday’s entrepreneur hung out a shingle, crossed his or her fingers, and waited for the customers to come. Today’s successful entrepreneur prepares sophisticated business plans, researches the marketplace, and prepares a database on all potential customers. And *then* hangs out a shingle.

Yesterday’s entrepreneur scribbled debits and credits in the general ledger, then totaled them frantically at month’s end, only to turn them over to an accountant and sweat out the results. Today’s successful entrepreneur enters data daily, lets the computer do the work, and pushes the print-out button on the last day of the month.

Yesterday’s entrepreneur worked alone. (Where was there to go for help?) Today’s successful entrepreneur subscribes to small business magazines, chats online with other small business owners, and



listens to the advice of a board of advisors—between keeping in touch with a mentor.

Yesterday's entrepreneur issued orders, barked out commands, and directed the troops. Today's successful entrepreneur recognizes that employees are not the plodding marionettes small business employers once thought they were, but rather are talented people with skills, knowledge, and minds of their own. Today's successful entrepreneur runs his or her company as a democracy, not as a dictatorship.

What's more, not only has the mindset of today's successful entrepreneur changed, but the roles he or she plays has, too. No longer is the entrepreneur the number one worker; today he or she is the number one cheerleader. The entrepreneur's job isn't to *do* any more, but rather to provide an environment in which employees can *do*.

In days past, it was always the entrepreneur who was willing to work the hardest; who had the choicest location, location, location; who manufactured the best widget; who usually won. Yesterday's successful entrepreneurs were the bulldogs and the plow horses of the small business world.

No longer. Today it's the entrepreneur who is the most thoroughly prepared, who has the most information, and who recognizes that business success is no longer a solo journey. Today's successful entrepreneurs are the greyhounds and the quarter horses of the small business world.

And most of all, today's successful entrepreneurs are the trial-and-error avoiders—those people who learn their lessons from the trials and errors of others.

So, welcome to this book. May all my trials and errors be lessons for you.