

Biz 101

12 tips for getting your business started on a solid foundation.

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Putting Belief in Your Brand

Companies need to have specific, identifiable and defensible missions and beliefs

Mention the word "branding" and most people think of multi-national companies putting a high sheen on a new product or a political candidate adding a varnish to his latest image. But branding is not mere window-dressing, nor is it a marketing trick--and even the smallest businesses need to do it, according to Debbie Millman, who is the president of the design division of Sterling Brands. "Everything in our world is branded," says Millman, who has worked on the redesign of global brands for Pepsi, Procter & Gamble, Colgate, Nestle and Hasbro. "We create constructs to understand ourselves, the way we look, how we feel, what we believe--and we telegraph that 'branding' to the world." Even marriage is a brand, she explains. "You have the ring which is the symbol and the ceremony which is the ritual and you have certain things associated with the institution. And there are specific associations if you are not married." Millman says that companies--whether big or small, new or old--need to constantly telegraph what they stand for and how they want to be perceived, both by their customers and their competitors alike. "A brand," she says, "is simply a set of beliefs. And if you don't create a set of beliefs around your products or services, well, you stand for nothing--you have no values and no vision." She says that every company has to ask if they have a very specific, own-able and defensible mission. "If it doesn't," Millman says, "then you are not creating something that is distinct enough to survive. And, frankly, you have to ask yourself is it worth surviving anyway." She says that if a company fails to position itself, its customers will do it for them--and that clearly is not a good way to run a business over the long term, or even the short term. Millman advises that, along with the business plan and the hiring, entrepreneurs think long and hard about their brand and either figure a way of building it themselves or hiring a professional to do it for them. "If not, they're lost," she says. --*John Montorio*

In Praise of the "Gazelle"

The fastest-growing companies--"gazelles"-- generate about 10 percent of all new jobs

What's the best way to create new jobs? Encourage startups. At least that's the straightforward solution, according to a recent study by the Kauffman Foundation. Dane Stangler, a senior analyst with the Kansas City, Mo., research and education center, noted on the center's website that in any given year the fastest-growing startups--or so-called "gazelle" companies--comprise less than 1 percent of all businesses, yet generate roughly 10 percent of all new jobs. The study recommends several strategies to promote entrepreneurship, including: Removing as many barriers as possible that stall startups--rules that block

access to capital, as well as taxation and regulatory burdens; targeting immigrants, which have been known to produce high-growth firms but often suffer from bottlenecks by establishing, for example, a new visa program for those who can raise \$250,000 for their startups; and eliminating restraints at the university level that impede researchers from commercializing their innovations. "Without startups, our research shows that net job creation in most years would be negative, so policies that expand firm formation could increase both job creation and the number of high-growth firms," Stangler said. --*J.M.*

Use Your Head

You can go with your gut, but there's nothing wrong with good old common sense

We've all heard the stories of the entrepreneurs who succeeded by going with their gut, or because they were brave enough to break what everybody else assumed were the rules. But good, old common sense helped, too, says Nelie Shah, president of Nothing Falls Short, a New York-based marketing firm. Shah, whose client roster includes American Airlines, AT&T, Ogilvy & Mather and Kinkos, offers this straight talk:

- **Package yourself.** When pitching your company, lose the Crocs; put on a suit. You and your startup are one in the same. Nobody hires a schlub.
 - **Every interaction is an opportunity.** Give your business card to anyone you meet. Yeah, that guy behind the deli counter may be a budding venture capitalist.
 - **Details. Details. Details.** No matter how successful you get, nothing is too insignificant to get your attention. Think Starbucks: Last year it created a new sip-hole stopper to help prevent spills.
 - **Never tell a client what they want to hear.** You sound cloying. Tell them what you really think. They'll respect you in the morning. Really. -- *J.M.*
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When Small is Big

Four ways the estimated 29.6 million SMBs in the U.S. generate a big impact on the economy

1. Employ just over half of the country's private sector workforce
2. Hire 40 percent of high- tech workers, such as scientists, engineers and computer workers
3. Represent 97.3 percent of all the exporters of goods
4. Generate a majority of innovations that come from U.S. companies

Source: U.S. Small Business Administration Office of Advocacy, September 2009)

History on Hold

If you call the Census Bureau, you're in for an educational treat

Being put on hold usually means bad elevator music or a boring infomercial. But if it happens to you when you call the Census Bureau, at 301-763-INFO (301-763-4636), you're in for an educational treat. To fill the time until a rep gets on the line, you'll hear quirky and fascinating historical tidbits thanks to the Bureau's "Profile America" daily feature. Some on hold recently learned, for instance, that way back in April 1858 a patent was granted to an enterprising entrepreneur named Hymen Lipman for a new-and-improved product: the pencil - but this one had an eraser on one end. Others callers found out that the first public, self-operated laundry business in the U.S. opened its doors in Fort Worth, Texas, in March 1934. Today, there are close to 14,000 Laundromats across the country doing nearly \$3 billion in business. This is good stuff when you're stumped for small talk at your next convention. --*J.M.*

Be a Penny Pincher

Spend time each week tracking your investments

Invest at least two hours a week--that's right each week--tracking your expenses. Not only do heavies like Intuit and Freshbooks make excellent online accounting tools, but credit card companies like American Express and Bank of America offer solid online budgeting system tools as well. Work with your accountant each week--you have an accountant don't you?--to know before you start a job or a business what is deductible and what is not. Then, track that spending to the penny and keep a running tab of your tax obligation. Also, be sure that money is sitting in a liquid, interest-bearing account. Trust us, the single worst way to go down is to go broke paying last year's taxes. -- *Jonathan Blum*

No, it Can't Make Sales Calls

Get set up on web-based process management tools to problem solve for your business

Yes, Twitter and Facebook and MySpace are cool and all, but the real Web 2.0 upside for the small business is getting your shop hooked up on a web-based process management tool. Software like Basecamp, Liquid Planner, @task and literally dozens of others will force you, often painfully to organize your tasks, plan ahead and be smart. Plan on going insane installing these suckers to start--what the heck are "my tasks" anyway? But if you stick with it, you will build a robust problem-solving system that works for you and your business. A system that get you out alive when it all invariably goes south. -- *J. B.*

Keep What's Yours

Protect your identity

It's likely that you will be doing business in the beginning using your own name, address and social security number or working for other small firms with limited security and experience in managing identities. Protect yourself by establishing yourself as a corporation, limited liability company or similar

business entity. Most states offer excellent online resources. Follow the steps, spend no more than a few hundred bucks and keep your personal identity personal. It's the single smartest thing you can do. --J.B.

Pain and Gain

Personal income goes up and down throughout the U.S.

On the positive front, personal income last year rose 0.7 percent in Maryland, 0.7 percent in West Virginia, and 0.3 percent in Virginia, due mostly to commuters working in Washington, D.C. But elsewhere the pain still lingers: Nevada experienced a 4.8 percent decline in personal income, as casino construction waned; Wyoming lost 3.9 percent mostly from a slide in mining; and New York, with the implosion of Wall Street, saw its personal income fall 3.4 percent. --M.J.

Business Plan Blunders

Four ways to help make your business plan work by avoiding these common mistakes

1. **Poor data.** Do your homework, tapping industry resources, demographic data, and general business benchmarking tools like [Hoover's](#) and other data marketing companies to support any industry and market share claims you make.
2. **Skewed financials.** Work with a knowledgeable advisor and/or your accountant to ensure that you've accurately anticipated your sales, profit margins, and expenses. Many a business has gone under because of overblown sales projections and unrealistically low expense projects.
3. **Lack of scale.** If your business meets its projections, you need to show how your operations will grow to support that growth. It's terrific that you have a few cheap suppliers or an outsourced delivery system, but how will those advantages work when your company is two or three times the size it is now. Map out how your supply chain will grow with the company.
4. **Shelf life.** Once you've drafted your business plan, if you shove it on a shelf, it's a useless document. Review and update your plan at least two to four times each year, preferably with your accountant. That way, you can make adjustments to your projections, correcting slow growth or responding to fast growth, before you run into issues around cash flow, profitability, and scale. --
Gwen Moran

Gwen Moran is the co-author of *The Complete Idiot's Guide to Business Plans*, Second Edition.

Where Persistence Pays Off

Government contracting can be useful for SMBs

Even small businesses can be successful in government contracting if they're willing to start small and keep knocking on doors. So says a recent survey of small businesses by the American Express OPEN Victory in Procurement (VIP). Polling more than 1,500 business owners, the survey found that small businesses which succeed in government contracting spend approximately \$86,000 a year in resources

pursuing federal contracts. But the rewards can be great: 80 percent of active SMB contractors on the General Services Administration (GSA) Schedule, the list of approved vendors for the products and services the government procures, have annual revenues of at least \$1 million and derive 47 percent of their annual revenues from federal contracts. Worth noting, particularly since commercial bankruptcies increased by nearly 52 percent from 2008 to 2009, according to Equifax, Inc. --*Michelle Juergen*

Aspiring Entrepreneurs Take Note!

The number of venture-backed deals may be going up

As the economy shakily gets back on its feet, VCs may be more willing to give you a helping hand. In the last quarter of 2009, the number of deals made in venture investment increased to nearly 800, according to the Small Business Association Office of Advocacy. Though VCs invested \$17.7 billion in 2009--a far cry from the \$30.5 billion in 2007--the growth from Q3 to Q4 in 2009 was hopeful; 100 more deals were made. --*M.J.*

The Odds of Survival

Seven out of 10 new companies survive two years or more and about 50% survive five years.
--According to SCORE Counselors to America's Small Business