

"In our hearts, we know that to escape our restraints we must use our skills, our intelligence, and work extremely hard."

Small Business

Building Blocks for Entrepreneurs

How to Plan and Measure for SUCCESS!

AN INSIDER'S ACCOUNT OF HOW TO START A BUSINESS, WHY SMALL BUSINESSES HAVE A HIGH RATE OF FAILURE, AND WHAT YOU CAN DO TO HELP SECURE YOUR FUTURE AS AN ENTREPRENEUR

Greg Bennett

Small Business

Building Blocks for
Entrepreneurs

How to Plan and Measure for **SUCCESS!**

by Greg Bennett



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Small Business: Building Blocks for Entrepreneurs. How to Plan and Measure for SUCCESS!

Published and distributed by Bright Eyed, LLC, PO Box 22644, Hilton Head Island, SC 29925

Distributed, printed, and published in the United States of America. ISBN 978-0-9846112-1-8 (print)

10 9 8 7 6 5 4 3 2

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When you come across this symbol, look within the text of the book for bold and underlined print that is immediately followed by a bracketed reference number (such as [#1]). This distinctly different print refers to an online resource, and is an actual hyperlink in the PDF copy of the book. Example from page 5:

The table of **small business size standards** is 44 pages in length. You can review it by visiting the following online resource: **[Small Business Size Standards \[#1\]](#)**.



You can directly access the online resources by viewing the PDF copy of this book, or by opening the Online Resources PDF found on the CD. Simply locate the reference number (such as the aforementioned [#1]) in the Online Resources list, click on the hyperlink, and enjoy the online content!

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Preface

The purpose of this book is to share with readers some of my thirty years of business experience. I believe by putting in written form the same information I frequently share with my clients, I can assist more entrepreneurs in avoiding common and avoidable business mistakes. If you were to sit in my office and we discussed the same content contained within this book, you would grow quite tired of my voice and your wallet would seek refuge. In other words, this book is a tremendous value relative to the information and advice it contains. I must stress that this is not a replacement for consulting with your own professional advisors—I strongly urge you to do so—but you may use this book as a general guide while gaining some interesting and valuable insight.

I do not guarantee your success, nor is it a reasonable expectation; there are far too many external variables that can affect the success of your small business. However, I will provide insight on the common mistakes I have witnessed in my years of business that, unfortunately, cost some individuals their life fortunes. I will also provide advice on how to avoid these mistakes from the beginning.

Will this book absolutely be on target for all readers? It is unlikely. After all, you might want to start a small business in an extremely informal manner (such as a sole proprietorship), or your business could be destined to be very large and quite formal. The beauty is that none of us can comprehend what the future holds.

If I were meeting with you today, I would, of course, focus on your specific goals and only discuss concepts that are immediately pertinent to you. However, I do believe that

regardless of the scope of your new enterprise, you will benefit from the information contained in this book. If I help prevent you from making a single common and costly business error, then you will save many times over the price you paid for this book.

It is unfortunate that many entrepreneurs with great ideas—and the necessary work ethics and talents--have not survived the challenges of entrepreneurship. I do hope to help potentially successful persons avoid common business mistakes and, thereby, avoid failure as well.

This book is not intended to help someone choose what they want to do as an entrepreneur. Instead, I assume you already have a chosen field in mind and need assistance in proceeding toward your goal. My own goal then is to help you succeed in business management. I will outline the process of starting your new business; suggest policies and practices to implement so you can better manage and posture your business for success; provide real-world insight into what causes so many small businesses to fail, and what you can do to reduce the likelihood of joining the pool of failed entrepreneurs.

Throughout this book, I will make mention of particular accounting habits you should adopt, and they are not necessarily in compliance with Generally Accepted Accounting Principles (GAAP). My recommendations will follow conventions of *managerial accounting*, which allows *you* to manage your company's finances. This is in contrast to financial accounting, which is used so external users (bankers, investors, shareholders, etc.) can review the financial performance of your business. Consequently, keep in mind that if your financials will need to be released to external parties, they should be made GAAP compliant.

The Dream!

-The American Dream-

-Small Business in America-

-Self Employment: Is it worth the trip?-

The American Dream

The American Dream is alive and well; it is still propelling America forward and into the future. The Dream can be difficult to explain but our minds are imprinted with it. We visualize what is possible. We strive for what the Dream consists of:

- Property ownership
- Freedom and mobility
- Independence
- Reaping the rewards of our labor and investments
- Prosperity

We see economic opportunity and upward mobility. In our hearts, we know that to escape our restraints we must use our skills, our intelligence, and work extremely hard.

In essence, the Dream consists of rights granted to us as citizens of the United States. However, just because we have the *right* to something does not suggest we have the *means* for obtaining it. The means—financial, in many cases—is usually obtained through hard work and a bit of luck (after all, not everyone is lucky enough to inherit large fortunes!). To many people, the ultimate American Dream is owning and operating a business.

Owning your own business can provide the necessary means to achieve the wildest American Dream...*if done correctly.*

The American Dream forces our minds to focus on the positive, to be optimistic and courageous:

...I can, if I will...

-NOT-

...I will, if I can...

So what will set you on the path of pursuing your own American Dream? Perhaps it is the perceived insanity of continuing on your current path! Albert Einstein had an interesting definition of insanity:

"Doing the same thing over and over again and expecting different results."

Only by doing something different today can we ever expect for tomorrow to yield something more desirable. The very fact you are reading this book indicates that you have high expectations of what tomorrow can bring. You are not intending on doing the same thing over and over. You are doing something new today so that tomorrow can be more prosperous, interesting, and exciting.

That said, be careful on your entrepreneurship journey. Your destination might not be all that far away and you do not want to arrive unprepared. It does not matter if you want to open a coffee shop or have aspirations to build a Fortune 500 company, *you must plan and measure in order to survive!*

Small Business in America

Small businesses are the backbone of America. What constitutes a small business? Generally, any business with revenue less than \$100 million is considered “small,” but there are various classifications. These classifications can impact your ability to pursue government contracts intended to promote minority owned and designated small businesses.

Small businesses frequently exhibit the following characteristics:

- Privately owned (non-public)
- Employ fewer than 1,000 individuals
- Are not dominate in their respective fields. Small businesses tend to be followers, not leaders

However, there is no single, all-encompassing definition of small business. While many of us can individually identify something large from something small, our standards can vary. To rectify this definition challenge, the Small Business Administration (SBA) has what it calls “size standards.” The size standards identify all industries by North American Industry Classification System (NAICS) codes. It then further categorizes by average annual revenue or by the average number of employees at the firm. The stated

size standards are the largest firms can be (in terms of revenue or number of employees) while still qualifying as small businesses.

Should you really care if you are technically classified as a small business? The answer is yes, at least if you plan on pursuing certain government contracts set aside for classified small businesses. Federal government agencies are usually required to refer to the SBA's "Size Standard" for the purpose of issuing contracts to designated "small businesses." If you expect to pursue government contracts, be sure to understand their designation guidelines. This Size Standard varies by industry, so no single all-encompassing definition exists.

The table of small business size standards is 44 pages in length. You can review it by visiting the following online resource: [Small Business Size Standards \[#1\]](#).




So how important are small businesses to the U.S. economy? Extremely important, as a matter of fact!

According to the SBA, small firms:

- Represent 99.7 percent of all employer firms
- Employ just over half of all private sector employees
- Pay 44 percent of total U.S. private (non-government) payroll
- Have generated 64 percent of net new jobs over the past 15 years

- Create more than half of the non-farm, private gross domestic product (GDP)
- Hire 40 percent of high-tech workers (such as scientists, engineers, and computer programmers)
- Consist of 52 percent home-based and two percent franchised firms
- Made up 97.3 percent of all identified exporters and produced 30.2 percent of the known export value in fiscal year 2007
- Produce 13 times the number of patents, *per employee*, than large patent holding firms

Source: U.S. Dept. of Commerce, Bureau of the Census and International Trade Admin.; Advocacy-funded research by Kathryn Kobe, 2007, retrieved from  [#2](http://www.sba.gov/advo/research/rs299tot.pdf) and CHI Research, 2003, retrieved from [#3](http://www.sba.gov/advo/research/rs225tot.pdf); U.S. Dept. of Labor, Bureau of Labor Statistics.

 [Visit SBA by Viewing This Online Resource #4](#)

Finally, below are two statistics that can be either encouraging or frightening. The good news is that you can reduce the chances of yourself becoming a negative statistic by planning, measuring, and taking appropriate action, which will be discussed later.

During 2008:

(A) 627,200 new employer firms started operations

(B) 595,600 firms closed that same year

Do not be afraid. You are not doomed to failure from the beginning. By preparing, planning, and measuring—and that is the recurring theme within this book—you can greatly increase your chances of succeeding and staying in business for years to come!



Hi there! Just a little history...

I have been a Certified Public Accountant since 1986 and am licensed in Arizona and South Carolina. After graduating from the University of Arizona, I began my Public Accounting career with Arizona's largest accounting firm as an auditor and tax preparer.

I spent four years in Public Accounting before I joined the corporate ranks with a large commercial contracting company, serving as their controller and treasurer. Several years later, a new employment position evolved into a regional Chief Financial Officer position for a publicly held national developer and homebuilder. During this period, I became a real estate broker and assumed additional responsibilities of commercial property management, owner association management, and human resources, while also serving as corporate ethics officer.

In 1995, after growing tired of the corporate world I returned to Public Accounting. My primary focuses were in real estate development, construction, and other small businesses including non-profit, retail, wholesale, food and beverage, and property management businesses. In 2001, I purchased an accounting firm in South Carolina which accelerated the growth of my Public Accounting services.

I married my wife, Chris, in 1974 and have three children. Two of the three children are also pursuing careers in Public Accounting. You can only imagine the excitement of our dinner conversations...



\$36.95
Business / Management

Cover and photo by:
Gregory James Bennett

