

**ARE YOU AN ENTREPRENEUR?  
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**Clay E. Hickson  
Director  
TowsonGlobal, Business Globalization Center &  
International Incubator  
Towson University**

## **INTRODUCTION**

I started my first business when I was in fourth grade and having grown up on a ranch in Texas, many of the usual ways a kid earns money weren't really available to me. I couldn't have a lemonade stand or a paper route or mow the neighbors' lawns. What were my options? I had to work with what was available if I wanted to earn a few extra dollars. Well, along with the beef cattle, we also had a flock of chickens. I'd been taking care of them since as long as I could remember, so I thought maybe I could sell eggs in town.

After talking it over with my parents, they agreed to support my entrepreneurial initiative. Someone nearby was selling some of their tired old hens, and with some of my own money and an "investment" from my parents, I bought 20 of them. We set up a separate chicken coop with nests in a part of one of the barns and fenced in an adjoining new chicken yard. I went to town to find customers for my farm-fresh, free-range eggs and was able to get several people to sign up, including my school bus driver.

Every evening I gathered the eggs, cleaned them, and stored them in cartons in an old refrigerator that gave me an electrical zap every time I touched the handle. Each Saturday I'd load the eggs into the car, and one of my parents would take me on my delivery route in town. [Eventually, I would drive myself since the country lane into town was not paved, and I didn't need a driver's license for that.]

Of course, those old hens didn't produce for long, so I had to invest in some younger pullets in order to keep my supply coming. While that was an occasional expense, I really didn't have too many other expenses... except for chicken feed, and that is what eventually put me out of business. While I did gradually raise my prices, I couldn't keep pace with the increase in the price of feed. After about five years, the prices I needed to charge to break even, even considering my parents' subsidy, was well above the prices in the grocery store. I think my price got as high as \$1.25, not much higher than prices of just a few years ago. Alas, the chickens flew the coop, and I went out of business.

Even though I didn't make much money over those years, I did learn some valuable lessons... like don't put all your eggs in one basket!

## **WHAT IS AN ENTREPRENEUR?**

The term entrepreneur comes from the French word, *entreprendre*, which means "to undertake," and this is precisely the basic principle of entrepreneurship. An entrepreneur is one who has a vision of an opportunity and takes the initiative to capitalize on it. In simple terms, he or she organizes, manages, and assumes the risks of a business. Surprisingly, there actually is debate over exactly what the term means, but few would argue that anyone who embarks on a new venture in order to create a new business would be considered an entrepreneur.

Entrepreneurs and other small businesses are the driving force behind the US economy, creating jobs and innovative technologies. These businesses "represent 99.7% of all employers, employ

more than half of the private sector workers, account for 39% of high-tech jobs, and create 60-80% of the net new jobs annually," says Entrepreneur magazine.

A true entrepreneur has a vision to seize an opportunity with passion and diligence. And these traits are crucial to success. If you are thinking to yourself: "This whole entrepreneurial thing is a piece of cake! It can't be a complicated process? I can make millions effortlessly!" Well, you are sadly mistaken. Experience, knowledge, and most importantly, planning bring success.

Entrepreneurs often are innovators, creating new products, new production methods, new markets, new forms of organization.... However, being an innovator doesn't ensure success. People come up with new ideas everyday that we never even hear about.

## **SO YOU THINK YOU WANT TO START A YOUR OWN BUSINESS?**

There are so many things to talk about when it comes to starting and running a business, but today we will touch on just a few. One note: Even though there are many steps, don't get overwhelmed. There are plenty of resources out there that are fairly easy to access.

## **CONSIDERATIONS**

Starting your own business is not just about having a dream. There are real steps to ensure your business has a successful start.

Consider these things: Why do you want to run your own business? Is it just because you think it would be fun, you think it will be easy, you think you will get rich quick, you don't work well with others, you can't find a job...? Examine your motivations because they seriously will impact your commitment and ability to do what is required to succeed.

### **You're Fired**

"I decided to open my own business after something my last boss said."  
"What did he say?"  
"You're fired."

There are some other questions I suggest you ask yourself from the very beginning, such as:

- What type of business do you want to run?
- Do you have relevant experience and knowledge? Are you willing to learn?
- Is there a market, a need, for what you want to do?
- How do you plan to produce the product or service?
- Do you have financial resources?
- Is somebody already doing it? Who is the competition?
- Who can help you?
- Do you have passion?
- AND DO YOU HAVE A PLAN?

There certainly are many reasons NOT to start your own business. It can be very risky with long hours of hard work and maybe even years of meager returns. But there also are lots of reasons to do it too. You will be your own boss. Hard work and long hours directly benefit you, rather than some big company. A new venture can be as exciting as it is risky. Running a business provides numerous challenges and opportunities for learning. Just like my egg business: "Failure is the mother of Success."

Running your own business is not a casual undertaking. Most new businesses do not survive beyond the third year, and many fail even within the first year. The reasons for failure are varied

but often arise from a lack of sufficient planning, a lack of sufficient funds, and a lack of understanding of the time investment required.

## **PLANNING**

I cannot overemphasize the importance of planning. This old saying is very true: Failure to plan is a plan for failure. Planning is the key to success. Even though some entrepreneurs may “luck” into success without going through the process, a lack of planning really is a formula for failure.

The business plan does not need to be complex or long, but it is necessary. In simple terms, a business plan is a written description of your business, a document that describes what you plan to do and how you plan to do it.

What is included in a business plan? A business plan conveys the business goals and the strategies you'll use to meet them. It discusses the potential problems and risks that may confront your business and ways to solve them. The plan highlights the organizational structure of your business and who the team members are. It demonstrates there is a market for your product or service and that you know how to tap that market. The plan highlights how the product or service will be produced. It also discusses the amount of capital required to finance your venture and where you expect that money will come from. Basically, the plan answers the questions asked above.

Business plans have several purposes. They're used to seek support from potential investors. They also may be used to attract key employees, win new business, work with suppliers AND understand how to manage the business better. However, just because you have a plan doesn't mean that everything is covered and that there won't be surprises. It does mean you will be much better prepared and more likely to achieve success.

## **Sea Captain**

This analogy says it pretty well: It's better to be 5 or even 10 degrees off your charted destination than to have no port in mind at all. After all, the point of sailing is to get somewhere, and without a plan, you'll wander the seas aimlessly, sometimes finding dry land but more often than not floundering in a vast ocean. Sea captains without a chart are rarely remembered for discovering anything but the ocean floor.

## **MENTOR**

You don't have to do all that work alone. Even before you launch your business; it probably is a good idea to find a mentor. An experienced business person can provide guidance and input that will help minimize the likelihood of making many common mistakes. He/she can help you brainstorm and strategize. The mentor might be found through friends, family, colleagues, college professors, SCORE, or other sources.

## **BUSINESS STRUCTURE**

When beginning a business, you must decide what form of business entity to establish. The most common forms of business are the sole proprietorship, partnership, corporation, S corporation, and Limited Liability Company (LLC). Each has particular legal and tax considerations, benefits and requirements. So these issues must be considered when selecting a business structure. There is a lot of information available on the Internet, but a CPA and/or attorney can be of tremendous help.

## **BUSINESS NAME**

Picking a name for your business requires more than just creativity or choosing something that sounds good. Each type of business structure has its own particular characteristics, which can influence the formal name of the company. For example, many states require a sole proprietor to use their own name for the business name unless they formally file another name as a trade name or fictitious name. Consideration also must be given to state and local requirements.

In Maryland you will need to register with the State Department of Assessment & Taxation. You also will need to decide whether the trade name will be the same as the full legal name of the business. Of equal importance is finding out whether your name or a very similar name is used by another existing business.

Trade names can be registered through state Secretary of State offices, and for broader protection, through the US Patent and Trademark Office. Businesses can use the USPTO's online system to search all state and federal trademark registers to see if their proposed name is being used.

## **LICENSES & PERMITS**

Most states and many cities and/or counties and the federal government require licenses and permits for many types of business activities, and the operation of your particular business may very well require such registration.

Since licensing and permit requirements for small businesses can vary among jurisdictions, you will need to contact the various levels of government to determine the specific requirements for your business. The list of different federal, state, and local licenses and permits you may need to acquire prior to opening for business includes:

Basic business operation license from the city or county in which your business will operate.

Employer Identification Number (EIN)

An Employer Identification Number (EIN) is also known as a Federal Tax Identification Number, and is used to identify a business entity. For a sole proprietor this can be your Social Security Number. Your business may also need a similar tax identification number from the state's department of revenue or taxation.

Fictitious business name permit is also called "dba" or "doing business as" permit and is required for almost all types of businesses, especially if you transact business under a name other than your personal name or the name used on the company's formation documents.

Zoning and land use permits may be required, especially for manufacturing businesses and some home-based businesses.

Health department permits are needed, particularly if your business involves the preparation and/or sale of food.

Sales tax license is needed to sell almost all products and services.

Fire department permits may be required, especially for businesses that will attract large numbers of customers (e.g., restaurants, nightclubs, bars).

Special state-issued business license or permits will be needed if the business will involve the sale of products such as liquor, lottery tickets, gasoline or firearms.

Special state-issued occupational/professional licenses will be required if staff will be offering certain state-regulated services such as medical care, auto repair, real estate sales, tax services, insurance sale, cosmetology, or legal representation.

Special federal licenses or permits will be needed if the business will involve federally regulated services such as investment advising, drug manufacturing, preparation of meat products, broadcasting, ground transportation, manufacturing tobacco, alcohol, or firearms, or selling firearms.

## **LOCATION**

We always hear the phrase “location, location, location,” and it is true that choosing the right location for the business can be a major factor in its success or failure. One location may be ideal for one type of business and not for another. Often you see car dealerships, restaurants and other similar businesses grouped together because they find that the location that works well for one is also good for others. You also need to know if there are zoning or other legal restrictions for the place of business.

## **SPACE**

Should you buy or lease your office, store or shop? Perhaps working from home is appropriate for your type of business, or maybe you need a “professional” address, or specialized facilities, such as a kitchen, warehouse or laboratory. Buying vs. leasing not only has cost implications but also should take into account the impact on taxes. Oftentimes leasing makes more sense than buying.

## **EQUIPMENT**

Similarly, sometimes leasing equipment is a better option than buying. However, there are many variables that need to be considered, including costs, use restrictions, legal parameters, and others. Particularly, leasing operating equipment, such as computers, vehicles, and machinery often makes more sense than buying.

## **TAXES**

Generating income, owning property, buying goods, hiring employees... probably will require you to pay taxes. There are many resources available when it comes to understanding taxes, and a qualified CPA should be one of the first professional advisors you develop a relationship with. You need to pay your taxes, but you also don't need to pay more than you should.

## **INSURANCE**

Some type of business insurance generally is a necessity, not an option, e.g., liability, fire, health, unemployment.... There are many choices of providers out there, so shop around.

## **LEGAL**

Many legal matters require a lawyer but not all. You may be able to glean sufficient information from the library or Internet, or you may need a specialist for employment, tax, patent or other issues. Also, many lawyers (and CPAs) can help with much of the initial business formation and registration process.

## **PROTECT YOUR IDEAS**

Innovations and new product ideas are valuable assets of a business. These trade secrets or intellectual property (IP) assets need to be protected so that your rights are not infringed upon by others. Filing for patents can be a lengthy and expensive process requiring the services of a qualified attorney, so you will need to carefully evaluate risks and benefits of going through that process.

## **FUNDING**

A major part of the business planning process is determining how much money is needed to get started and run the business, especially until you reach the breakeven point and start earning a profit. A business can't be started or run without money. Maybe you have enough money yourself, but you may very well need to find other sources of funds. One source is the Three F's, (Friends, Family and Fools), those willing to give you money just because they know and like you, as happened with my egg business.

### Be Realistic About Startup Financing

Many entrepreneurs say, "I don't have any money or assets for a loan, and I don't want to deal with investors who take control of the whole business." Well, that may be your best option. Very often, you will have to take your business plan in hand to seek a loan or investment from a banker, venture capitalist or angel investor.

### SBA

The SBA offers a variety of programs to assist small businesses. However, the SBA is primarily a guarantor of loans made by private and other institutions and does not offer loans to small businesses.

### How to Attract Investors

What do venture capitalists and angel investors prefer to see in a company before they are willing to actually hand over money?

- **Seasoning.** They often are looking for more experienced, older entrepreneurs. While a young 20-something tech-genius can still get funded, a seasoned executive on the team carries a lot of weight when it comes to managing the company.
- **Passion:** The entrepreneur must demonstrate a contagious excitement about their vision for the company.
- **Tenacity:** The entrepreneur must prove they have the stamina and willpower to stay with their vision through all the ups and downs.
- **Flexibility:** The entrepreneur must be willing to reevaluate and refocus their plans when things don't work out as anticipated.
- **Commitment:** The entrepreneur must be willing to invest enough of their own money into the project to convince investors they are serious.
- **Teamwork:** The entrepreneur's team must prove they can work effectively together.
- **Coachability:** The entrepreneur and their team must be coachable.
- **Knowledge:** Investors prefer to back teams that really know their market.
- **Opportunity:** Investors want big ideas with demonstrated potential to make a real difference and earn significant returns.

### Rhoton Hill Group

My second business was Rhoton Hill Group, an international management consulting firm specializing in international marketing, corporate communications, public affairs and strategic planning. I worked with both large and small companies on projects around the world. I did political risk assessments for Wal-Mart in the Philippines, helped find marketing partners for Chrysler in Turkey, and did regular US industry analysis reports for a Japanese company.

I set this company up as a sole proprietorship and worked from home offices both here in Maryland and in Texas. Since I was operating out of two locations, I got my dba designation in both places. I had all kinds of business expenses, like office equipment and supplies, telephone, Internet connection, car mileage, etc. and I was receiving some income from a foreign source, so my taxes were way too complex for me to do on my own. But my CPA that I used for years as I moved around the world was a great help.

## THE ENTREPRENEUR QUIZ

The following short quiz consists of 4 questions that will tell you whether you are qualified to be an “entrepreneur”.

1. How do you put a giraffe into a refrigerator? The correct answer is: Open the refrigerator, put in the giraffe and close the door. This question tests whether you tend to do simple things in an overly complicated way.
2. How do you put an elephant into a refrigerator? Open the refrigerator put in the elephant and close the refrigerator. Wrong Answer! Correct Answer: Open the refrigerator, take out the giraffe, put in the elephant and close the door. This tests your ability to think through the repercussions of your previous actions.
3. The Lion King is hosting an animal conference. All the animals attend except one. Which animal does not attend? Correct Answer: The Elephant. The elephant is in the refrigerator. This tests your memory.  
OK, even if you did not answer the first three questions correctly.  
you still have one more chance to show your true abilities.
4. There is a river you must cross, but it is inhabited by crocodiles. How do you manage it? Correct Answer: You swim across. All the crocodiles are attending the Animal Meeting. This tests whether you learn quickly from your mistakes.

## OTHER RESOURCES

Where can you go for help? There are many resources that may provide low-cost or even free assistance.

SCORE (Service Corps of Retired Executives) offers free and confidential advice to small businesses using the expertise of volunteer retired business people. They provide face-to-face counseling, online counseling, online workshops and more.

The Small Business Development Center (SBDC) is dedicated to helping small businesses get established and to expand. They provide a variety of management and technical assistance programs designed to help aspiring and existing small business owners. Their business consulting services help to develop and refine business plans, solve problems, find sources of capital and develop strategies to support growth and profitability. These services are offered at no cost. They provide workshops on writing business plans and marketing plans and on a number of other topics helpful to small businesses. There is an SBDC right here at Towson University.

The Small Business Resource Center offers new and existing businesses assistance with technical, financial and marketing issues free of charge. Many SBRCs can assist with things such as: feasibility studies, strategic planning, business structuring, market analysis, loan package assistance, funding programs, and more. An SBRC is located in Towson at the Baltimore County Chamber of Commerce.

Business Incubators are programs designed to accelerate the successful development of entrepreneurial companies through an array of business support resources and services. Incubators vary in the way they deliver their services, in their organizational structure, and in the types of clients they serve. Successful completion of a business incubation program increases the likelihood that a start-up company will stay in business for the long term. Historically, 87% of incubator graduates stay in business.

TowsonGlobal is Towson University's incubator that helps both domestic and foreign entrepreneurial ventures learn how to compete in the global economy. The incubator provides businesses a wide range of low-cost support, including high-quality, affordable office facilities; business counseling; mentoring; networking assistance; workshops and other educational

forums; and access to an active advisory board comprised of executives in technology, financial and legal services, logistics, manufacturing, contracting and venture capital fields.

## **CONCLUSION**

In 1995, Jill Blashack Strahan already was a small business owner. She had a struggling gift basket company in Minnesota. As she was trying to figure out what she needed to do to be more successful, Jill talked with a mentor. She told the mentor that her goal was to make \$30,000 a year and was told that not only had she set her sights too low, she was focusing on the wrong thing. Instead of money, she was told she should focus on her passion.

Jill discovered that when she held open house events where customers could taste test the foods, sales soared. This gave Jill the idea to sell the food directly to customers in their homes. With a small amount in savings, a bank loan and a friend's investment, Jill started packaging gourmet foods at home and selling them at taste-testing parties, but the going was rough. There were times when she couldn't even pay her mortgage or her two employees.

She thought of giving up to get a regular job, but then she remembered that this was her dream, her passion. She re-evaluated her strategies, recommitted, and worked even harder. Her motivation and passion eventually paid off. Today Jill's company, Tastefully Simple, is a direct-sales business, with \$120 million in sales. Adapted from: <http://www.rd.com/advice-and-know-how/secrets-of-successful-entrepreneurs/article50301.html>

*"Market research reports say America likes crispy cookies, not soft and chewy cookies like you make.~Response to Debbi Fields' idea for Mrs. Fields' Cookies*

*We don't need you. You haven't gotten through college yet.~Hewlett Packard's rejection of Steve Jobs, who founded Apple Computers instead*

### **So what are some of the key points you should take away today?**

- Have a vision and passion
- Set realistic expectations
- Tap all available resources
- PLAN
- Be persistent and
- Don't let others discourage you