

Starting a New Business - What You Should Know, What You Should Do

Small businesses are started for many reasons. Visionary entrepreneurs have a dream they want to make real. Milton Hershey wanted to make chocolate, an expensive treat of the wealthy, affordable and available to the masses. He sold a successful business in Lancaster, PA to pursue his dream closer to his place of birth – in a place now named Hershey.

Other prospective business owners learn a trade while working for others, and think they can do better working for themselves. In Central Pennsylvania, plant closings and job outsourcing have forced many workers not ready for retirement to consider starting their own business. What are their chances of succeeding?



Phil Landsberg

The Small Business Administration (SBA) estimates that two-thirds of small businesses survive at least two years, and about half survive at least four years. Each year over 500,000 small businesses close. Despite the odds, each year over 500,000 small businesses are started.

The success of small businesses is vital to not merely individual owners but the health of the Nation's economy. SBA data shows

the importance of small businesses to the U.S. economy; small businesses represent more than 99.7 percent of all employers, employ more than half of all private sector jobs, and generate 60 to 80 percent of net U.S. jobs annually.

Kutztown Small Business Development Center is part of a network of Small Business Development Centers (SBDC's) that provide small business owners training and consulting services. Don Martin, its Director of Learning Resources recommends that prospective entrepreneurs carefully prepare for the future. His guidance can help small business owners increase their chances of long-term success.

Some things to do up front:

- Start with a viable business idea and turn it into your story. Not all ideas for starting a business are sound; local conditions (demographics, presence of competitors, workforce skills, business economy) need to be carefully considered
- Decide what accounting system to have in place. There are different ways to “keep the books”, it is important to pick an approach and keep accurate records from the start.
- Establish a relationship with a bank. An ongoing relationship is important to help obtain business loans and other considerations as the business grows and its needs (and the economy) change.
- Consider insurance needs. Insurance is the No. 1 cost for many businesses.
- Know what the market and customers are looking for. As Martin notes “Don't open a

sandwich shop next to a sandwich shop.”

- Network and get help. The Central Pennsylvania region has a lot of options for networking; opportunities arise from meetings of professional and trade associations and local Chambers of Commerce. Kutztown SBDC, SCORE, and Harrisburg Area Community College offer free or low cost courses and seminars.
- Select the proper legal structure, as it affects liability protection and has tax consequences. Sole proprietorships are the easiest form of business entity; they frequently overpay on taxes.

Albert N. Peterlin, an attorney for the firm of Gates, Halbruner & Hatch who specializes in small business matters provides additional thoughts on this last point. How fast a company will achieve profitability can be important because of tax consequences. Also, it is important to know the legal and tax considerations for small businesses unique to the state in which the firm is doing business. These considerations are subject to change; it is important to keep current.

Martin believes small business owners have some common misconceptions.

Recognizing the consequences of these misconceptions can help owners avoid costly mistakes:

- Misconception - Being successful at making widgets means one can create a viable business for making or selling widgets. Actually, owners must acquire certain knowledge to manage their business, such as how to market your goods and services.

Being able to provide a product or service does not guarantee business success.

- Misconception - Underestimating the complexity of starting and running a business, and how much they need to learn. Fortunately, as previously noted, training and assistance is available from several local institutions.
- Misconception - Underestimating number of regulations that may apply; and not knowing that regulations change frequently. As an example, hazardous material used in doing business require special attention in their handling and disposal.
- Misconception - Underestimating the odds of failure.

Kutztown SBDC offers courses to help small business owners learn what they need to know to successfully start and grow their business. Courses are offered at several Central PA locations. The courses can help small business owners increase their chances for long-term success and provide an opportunity to network with other entrepreneurs to discuss common problems, exchange information and, possibly, share resources.

Phil Landesberg is a respected educator and consultant in the areas of organizational planning, assessment and improvement. He uses innovative management principles and practices and over thirty years of experience in improving organizational performance to help organizations achieve long-term success.