

## Small-Business Myths Busted

By Patricia Simone

**The truth as you know it about starting a business may really be a lie. Let us help you sort the myths from the realities.**

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So many aspiring entrepreneurs dream of the numerous rewards that await them when they finally break free of the shackles of the rat race and become their own boss. But many see only the gold at the end of the rainbow--and go into it with misconceptions about what's it's *really* like to own their own business. They think funding sources are just a phone call away, that they'll have time for weekly golf games and will be rolling in the dough faster than you can say "Ch-Ching."

To help you sort out the myths from the reality, we've put together a list of the top 10 "small-business myths." We've included the most common, inaccurate information you may have encountered, along with the real skinny on starting your own venture, so you can make smart, informed decisions for your business.

We know you can navigate these obstacles because we've seen thousands of entrepreneurs successfully work through these challenges and create thriving businesses. These pointers will help you overcome some of the most critical hurdles every business owner encounters, saving you time and aggravation, so you, too, can come out on top.

### **Myth No. 1: "The government has grants for startups."**

*The Real Story:* Nothing could be further from the truth! The federal government does *not* have any programs that lend money directly to any business. According to Mark Johnson, a business development coordinator for the Kentucky Cabinet for Economic Development, a state agency involved in job creation and business development, some states may have special grant programs in place that may be a resource for people with disabilities, veterans, or minorities. These special funding programs have very specific requirements that must be met in order to be eligible for consideration.

Be cautious about surfing the web for funding information: There are a lot of companies out there that claim to be able to assist you in getting money from the government. You may want to be skeptical about any extravagant promises you hear--odds are, if they sound too good to be true, they probably are, so stay away from them.

Although each state and county approaches economic development differently, one of the best places to get reliable help in any part of the country is an Economic Development Corp. (EDC) office in your area. The office, which may oversee either local, regional or statewide economic development opportunities, can offer information and resources that'll help both startup and existing businesses.

According to Steven Porath, director of economic development in the Rockland County Economic Development Corp. in New York, "There isn't one cookie-cutter version of the setup for economic development offices, though our objectives are pretty much the same: to help foster growth and success in the business sector in our respective counties. Your local office is a great place to start, because we act as facilitators, helping to

direct people to the right resources for their particular business."

Not sure where your local EDC office is? Just type in your state name and "Economic Development" in Google, Yahoo! or one of the other search engines to find the right source for your area. The best part: These centers provide scads of free services for you to take advantage of.

## **Myth No. 2: "The SBA loans money directly to small businesses."**

*The Real Story:* The SBA does *not* lend money to businesses. As an independent agency of the executive branch of the federal government, the SBA is the *guarantor* of three different loan programs that directly benefit small-business owners. They are the 7(a) loan program, the 504 loan program and the microloan, or 7(m) loan program.

The 7(a) loan program is the most flexible lending program, allowing qualified small businesses to obtain financing when they may have been turned down through traditional channels.

The 504 loan program helps small businesses looking for fixed-rate, long-term financing for machinery, real estate or equipment needed for expansion or modernization.

The microloan, or 7(m) program, is structured for small business and not-for-profit child-care centers, providing short-term financing for working capital and the purchase of inventory, supplies, furniture, fixtures, machinery and equipment.

The SBA helps facilitate financing through a network of lending partners, including local banks, community development organizations (comprised of private, nonprofit corporations set up to contribute to the economic development of their communities or regions) and microlending institutions. Most of these organizations are also a useful resource for any business owner and may offer online information on starting, financing and managing your business, and sponsored educational programs at local colleges.

## **Myth No. 3: "Venture capitalists loan money to startups."**

*The Real Story:* A great business idea is not enough to entice venture funding. And while the dotcom era had its share of unusual partnerships, formed on the basis of an innovative concept scribbled on a napkin, the basic rule of thumb is that a company has to show a great track record, doing business for at least three years with the promise of robust future growth. More important, venture capitalists are interested in companies that can show a detailed strategy in their business plans, with strong growth potential and management teams, delivering a product or service that has either a regional or national client base. So unless you have a Rockefeller in your back pocket, your startup will have to seek out alternate funding sources.

## **Myth No. 4: "I'll have more time to do what I want."**

*The Real Story:* As I sit in my office at 8:40 at night, all I can say to this is "Ha!" As an entrepreneur the third time around (first in 1988 with a retail store that lasted for 7 years, then in 2001 as a marketing consultant, and now as a business mentor, writer and speaker), I can say without hesitation that time is the one thing you will sorely lack!

While one of the major reasons I took my first entrepreneurial leap was to have more time with my three toddlers, I quickly discovered that a new business demands so much more than a nine-to-five mentality. Yes, you may get to take your kids to the orthodontist and after-school activities, but in order to be successful, you have to embrace the concept that being an entrepreneur is a lifestyle, not a job. Every new (and not so new) business owner I've ever spoken with has had the same experience. So prepare yourself for the long haul for immense demands on your time.

## **Myth No. 5: "I'll be able to write everything off."**

*The Real Story:* Absolutely not--unless you have a hankering to get audited. Personal expenses should not be umbrella-ed under your company, and the business expenses you do incur should be clearly connected to the business you're running. According to Philip C. Roventini, a New York City-based CPA with more than 25 years of experience working with small-business owners, you can easily identify a real business expense vs. what isn't by asking yourself this question: "Is this an expense I would incur if I were not in business?"

Typical real expenses can include your computer and any business operating and account management software, rent, employee salaries, money paid to independent contractors, advertising costs, and your business phone bills. You may even be able to deduct 100 percent of your car payments, as well as gas and repairs, depending on the percentage of car use that's dedicated to business-related work.

## **Myth No 6: "I can pay myself whatever I want."**

*The Real Story:* Think again. If you take all the money coming in--or too large a portion of it--what will you have left to pay your expenses? Here's another point: It may not be legal. "There's something in the IRS code that talks about unreasonable compensation," says Roventini, although the more typical scenario is that some new business owners may not truly understand just how much they need to plow back into their company for marketing, operations and other expenses in order to sustain their business. "Cash flow is key," says Roventini, who says that business owners should be prepared not to take any money out of their business for one to two years.

## **Myth No. 7: "If I create a website, I'll get traffic (or the more popular 'If I build it, they will come.')**"

*The Real Story:* For all of you who firmly believe this, the bottom line is this: Web traffic is based on a number of factors, all of which must be in place in order for the various search engines to find your site, and to attract the kind of customers you want to reach. According to Larry Bailin, CEO of SingleThrow, an internet marketing company based in Wall, New Jersey, it's not about what you think will work, it's about what your customers are looking for.

The best course of action? Work with professionals, people who are informed about the latest developments in web design, web copywriting and SEO (search engine optimization). You'll also need to research the right keywords and put good, meaningful content on each page. According to Bailin, the search engines like accurate and distinctive copy that articulates what your business offers in a way that makes sense to the people you want

to do business with.

Your site should also have a professional visual design and easy navigation options, including concise menu choices. Remember: You want your visitors to linger, so don't frustrate them with a confusing design. Bailin says you have just five to seven seconds to make a good impression on a site visitor; some studies say you have even less than that.

When it comes to content on your site, don't confuse people with lots of flowery language: Get to the point, be compelling and use words that define your products or services in the language (keywords) that your customers and prospects would use. For instance, if you owned a floral design shop, you'd want to make sure your web content included specifics about the top products you produce, such as "unique floral arrangements," and "beautiful wedding and special occasion centerpieces."

In addition to relevant content that's keyword-rich, another way to boost site traffic is link swapping. Link swapping is done most successfully between other, related businesses that would be willing to list your web address on their website, in exchange for you listing their web address on yours. For the floral designer, great link-swapping businesses might include wedding planners, catering services, limousine companies, wedding stationary shops and musicians or DJs that play at weddings.

## **Myth No. 8: "I should be profitable after six months, because I'm an expert at what I do."**

*The Real Story:* It's a fact that even if you're a pro at what you do, most new business owners don't see a profit for two to three years. When you're working for yourself, some of the things you start out thinking you'll do fall by the wayside. It also takes time to develop your unique brand, your marketing materials, and the right plan to generate sales. All too many new business owners don't have a sensible business development plan in place for how they'll generate sales. Realistically, it takes many years--and lots of reinvestment into the company--before most new businesses are on steady ground.

## **Myth No. 9: "I don't need a marketing plan or marketing materials. This product/service sells itself."**

*The Real Story:* Even if you think your product is the best thing since sliced bread, if you don't have a marketing plan or budget, you will fail. Really. One of the reasons why my retail venture had to close was due to my lack of planning and a budget set aside for marketing. Stephanie Chandler, a Sacramento, California-based entrepreneur and the author of *The Business Startup Check List & Planning Guide*, agrees. "Marketing is an investment in your business," says Chandler. "If you're doing it right, it pays itself back and then some." In order to get the process started for her own business, Chandler says she hired a professional to design her logo. Taking cues from Nike and other well-established brands, she then developed a basic branding strategy and campaign to get her company's name out to the public over and over again in order to build recognition of her firm.

## **Myth No. 10: "If I'm not getting funding, I don't need a business plan."**

*The Real Story:* A business plan is the absolute first thing you need to get cracking on. Why? Because it gives you perspective and uncovers things you didn't even know you needed to know, which in turn helps you come up with solutions to potential problems. Chandler, who is also the founder of BusinessInfoGuide.com, wrote a 42-page business plan for her first (successful) venture, a bookstore. "My plan forced me to do a lot of research," Chandler says. "I contacted other bookstore owners all over the country with questions. I evaluated how much I had to sell on a daily and weekly basis." Chandler also had a backup plan for funding. And since no one has a crystal ball, she advocates having a backup plan to your backup plan. Because of all her efforts, Chandler knew what she was getting herself into and made a successful transition from being a Silicone Valley executive to bookstore owner.

The bottom line? If you do your homework, work with the right experts, craft realistic business and marketing plans, fund your venture adequately and make the necessary provisions to roll with the punches that will inevitably hit you, you'll have a much better chance at succeeding as an entrepreneur.

So what are you waiting for? Now that you know the difference between fact and fiction, you're ready to start your business and keep it moving forward on the right track!