

Small Business Advancement National Center
 University of Central Arkansas
<http://www.sbaer.uca.edu>

UPCOMING EVENTS!

VETERAN PRE-BUSINESS WORKSHOP DECEMBER 6, 1997

There will be a Veteran Pre-Business Workshop held at the University of Central Arkansas in the Burdick Business Building on Saturday, December 6, 1997 with registration beginning at 8:00 a.m. The workshop schedule will begin at 8:30 a.m. and end at 12:30 p.m. The event will be sponsored by the Service Corps of Retired Executives and the Small Business Advancement National Center. The workshop will cover important small business topics such as, Business Planning, Legal Structures, Marketing Strategies for the Future, Franchising, Loan Programs, and Record Keeping. Anyone who attends will be given very useful information on the topic areas, which will be lead by various qualified individuals in that field of expertise. There will be a registration fee of only \$25.00 per person. To pre-register for this event please contact Netta Thomas at 501-450-5320 (e-mail: jthomas@mail.uca.edu) or Kim Stubbs at 501-450-5373 (e-mail: kstubbs@mail.uca.edu).

REMINDER

ELECTRONIC DATA INTERCHANGE CONFERENCE - JANUARY 24, 1998

Mark your calendar for our Electronic Data Interchange Conference to be held on the campus of the University of Central Arkansas in the Burdick Business Building January 24, 1997 from 8:00 a.m. to 4:00 p.m. CST. This conference will be sponsored by the Arkansas Manufacturing Extension Network, Southwestern Bell, Purchasing Management Association of Arkansas, and the Small Business Advancement National Center. This will be a hands on experience, so please plan to attend. Registration brochures will be available within the next few weeks. Continue to watch for information on this conference in our upcoming newsletters.

PREVENTING FAILURE AND PROMOTING SUCCESS IN SMALL BUSINESS

Business failures have been steadily increasing over the past few years, reaching a record high of 836 failures for 1996. Lewis A. Paul, Jr., from Wichita State University's Small Business Development Center, says that it has been his experience in counseling over 200 businesses in the past several years, that there are two basic categories for business failure. The first category is Catastrophic, which pertains to those companies that have been impacted by a sudden shock to their standard method of operation, such as the complete loss of working capital, the death of a sole proprietor/general partner, or the irreparable damage to a facility. The second category is the general lack of success (GLOS) failures which are characterized by the business not meeting up with the owner's profit expectations, resulting in the company eventually being sold off or shut down.

There are different reasons for both kinds of failure. However, the overwhelming majority of businesses that suffer Catastrophic Failure, suffer because of a lack of adequate cash flow. This significant shortfall in cash flow reduces the ability of the

company to adequately respond to outside problems and threats. A GLOS failure is usually caused by the fact that the entrepreneur went into the business for the wrong reason in the first place. The main reasons for the typical small business owner to start a business are: desire to be one's own boss, a desire for financial independence, a lack of ability to work with or for others, a general overflow of paperwork in their current job, a desire for creative freedom, or a desire to use one's skills and knowledge.

Paul suggests that although there are no "magic bullets" that will guarantee success for a small business owner, there are several items that should give guidance to help ensure ultimate success. To find out more about these factors and to understand more of the reasons why small businesses fail:
<http://ww.sbaer.uca.edu/docs/Publications/pub00100.txt>

Lewis A. Paul, Jr., Wichita State University, Small Business Development Center, 1845 Fairmount, Wichita, KS 67260-0148.

MAKING YOUR SMALL BUSINESS SURVIVE

"The longevity of small firms is largely dependent upon their managers or owners implementing sound business practices, being aware of the external and internal business environments, and being willing to accept change," says Mary M.K. Fleming, Professor of Accounting at California State University in Fullerton, California.

The NBDC Report of the Nebraska Business Development Center, now called the "American Business Perspectives," had an article in August of 1995 called "How Small Firms Can Survive" by Mary M.K. Fleming. Managers and business owners need to utilize the following business principles for the benefit of their company's survival:

- *Set Goals
- *Find and Fill Strategic Niche
- *Measure Objectives
- *Planning
- *Preparing programs
- *Developing Strategies
- *Measuring the profit and losses monthly
- *Control

Most small businesses have a pattern of continuous turnover of ownership/management, and for those that survive, the acceptance of change is a major ingredient attributable to their success. Being a good manager of the above techniques can help to sustain your small business even when times get rough. To find out more about these principles visit our web site at:

<http://www.sbaer.uca.edu/docs/publications/pub00191.txt>

TIP OF THE WEEK

Lease or Buy?

Assuming that a suitable building is available, the entrepreneur must decide whether to lease or buy such a facility. Although ownership confers greater freedom in the modification and use of a building, the advantages of leasing usually outweigh these considerations. Two reasons why most new firms should lease are the following:

1. A large cash outlay is avoided. This is important for a new small firm, which typically lacks adequate financial resources.
2. Risk is reduced, by avoiding substantial investment and by postponing commitments for space until the success of the business is assured and the nature of building requirements is better known.

When entering into a leasing agreement, the entrepreneur should check the landlord's insurance policies to be sure there is proper coverage for various types of risks. If not, the renter should seek coverage under his or her own policy. It is also important to have the terms of the leasing agreement reviewed by an attorney. Sometimes, entrepreneurs are able to negotiate special clauses in a lease, such an escape clause that allows the lessee to exit the agreement under certain conditions. An entrepreneur should not be unduly exposed to liability for damages that are caused by the gross negligence of others. In one case, a firm that wished to rent 300 square feet of storage space in a large complex of offices and shops found, on the sixth page of the landlord's standard lease, language that could have made the firm responsible for the entire 30,000-square-foot complex if it burned down, regardless of blame!

"Small Business Management, 10th Edition," Justin G. Longenecker, Carlos W. Moore, J. William Petty, Baylor University, South-Western College Publishing, 1997, Cincinnati, Ohio, page 220.

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