

NEWSLETTER - July 5, 2000

In This Issue:

1. [Feature Paper](#) - From E-Commerce to E-Business
 2. [Tip of the Week](#) - The Ten Most Severe Problems for Small Business
 3. [Call for Papers and Workshops](#) - USASBE/SBIDA 2001: An Entrepreneurial Odyssey
 4. [Call for Papers](#) - 2001 Association Of Collegiate Marketing Educators Conference
 5. [Announcement](#) - Small Business Problems & Priorities
-

Feature Paper

From E-Commerce to E-Business

This paper was presented by S. Altan Erdem, Douglas B. Rusth, both of University of Houston, Clear Lake, and Mohan Kuruvilla of Houston Baptist University at the 2000 WDSI meeting, Maui, Hawaii, April 18-22, 2000.

The concept of e-commerce has evolved through different stages. The first stage was the introduction of the web and businesses creating their own web page. But the transactions still involved a telephone call and a human being on the other side. Businesses soon realized that they can create value for the customers, and thus a competitive advantage, if the web site is able to support transactions. The next step was the creation of exchanges where negotiation in online environments without human interaction was possible. Electronic auction houses like E-bay.com came in to existence to capitalize on this idea. The marketing focus at this stage of e-commerce was the consumer for both products and services. Although the consumer side of e-commerce is the area that most are familiar with, the real action is in the business-to-business side. The growth in business-to-business e-commerce transactions is exploding and most experts expect it to increase by 90% annually over the next four years. Some estimates suggest that an annual total of a trillion dollars will be transacted over Internet-based technologies within five years.

To read this entire paper on E-Commerce, visit our Web site at <http://www.sbaer.uca.edu/Research/2000/WDSI/pdffiles/papers/234.pdf>

Tip Of the Week

"The Ten Most Severe Problems for Small Business"

Small business owners confront a seemingly endless array of potential problems. Some of those problems will always remain "potential" while others become more than "potential". They become tangible.

According to *Small Business Problems and Priorities*, the then most severe problems for small business in order are:

1. **Cost of Health Insurance**

The health insurance costs ranking comes at a time when health insurance prices are believed to be benign. The component of the Consumer Price Index (CPI) has been relatively stable over the last few years and so have insurance prices. However, the stability appears to be ending. The one-time cost savings from the shift to managed care has been largely realized and politicians in both parties continue to mandate broadened coverage regardless of costs. Current prospects are that health insurance costs will accelerate rather than remain stable. Barring a national crisis, the cost of health insurance will almost certainly continue its reign as the undisputed number one ranked problem faced by small business.

2. **Federal Taxes on Business Income**

The specific survey question focuses exclusively on "Federal Taxes on Business Income." But federal personal and/or corporate income tax is only one part of a tax behemoth that small business owners face. It is compounded by taxation of different types and from different jurisdictions. "FICA (Social Security) Taxes," ranking fifth in the survey, is one additional tax. "State Taxes on Business Income," ranking sixth, is another. Three of the top six problems in the survey relate to taxes. If taxation from all sources has been rolled together into a single "tax" problem, it is likely that taxes would have defeated health insurance costs as small business's most severe problem. Note that the problem most commonly ranked number one in NFIB's monthly *Small Business Economic Trends* is the generic "Taxes."

3. **Locating Qualified Employees**

Small business traditionally experiences difficulties locating an adequate supply of skilled employees. Small business traditionally does not experience similar difficulties locating unskilled employees. But as the economy continued its brisk pace into the late 1990s, labor markets changed. Skilled employees were not only difficult to find, unskilled employees were as well. Those in rural areas claim to have substantially less difficulty locating qualified employees than those in urban areas. Yet, locating qualified employees is one of the most serious problems that small business owners currently face.

4. **Unreasonable Government Regulations**

Today, the code of federal regulations fills 19 feet of shelf space. While not all of those regulations directly affect the activities of business nor do all the regulations designed to govern business affect every business, small business owners cannot possibly read, let alone comprehend, every government requirement affecting them. They must rely on best judgment and common sense. That would be adequate so long as everyone operates from the same frame of reference. But everyone does not operate from the same frame of reference, particularly if regulators have had no business experience.

"Unreasonable" in unreasonable government regulations is a subjective term contrasted with objective measures of regulatory volume. But, a constant stream of questionable regulatory initiatives such as OSHA's new ideas (at least newly publicized ideas) on regulating work in the home and a multitude of old regulations, including the IRS's 20 part test for independent contractors, forces small business owners to question the need for and sensibility of various regulatory schemes. Those regulations are indeed unreasonable to small business owners.

5. FICA (Social Security) Taxes

Economists argue that business does not really pay its half of the FICA levy. Rather the employee pays the employer's share (as well as his own) in the form of lower wages. Small business owners do not believe it. They view FICA as a tax on labor including their own. Further, they feel wage and salary workers do not appreciate that the federal government takes 15.3 percent off the top of self-employed earnings (and then levies its income tax on earnings which includes the 15.3 percent already taken). Small business concern is, therefore, understandable and helps explain its support for transforming Social Security into a system of individual accounts.

6. State Taxes on Business Income

While a large majority of states have attempted to ease the administrative burden for individual taxpayers through "conformity" with federal tax law, business income taxation, particularly for C-corporations, can be arcane. Omitting the wide array of tax types which often create enormous administrative and operational chores, state taxes on business income also constitute a large burden for small business owners. However, the burden varies enormously from state-to-state both in terms of complexity and "take."

7. Workers' Compensation Costs

As workplaces statistically become safer due both to improved working environments and a shift in the employment base from the relatively risky manufacturing and agricultural industries to the relatively safe service industries, the type of compensable injuries has grown and the delineation between workplace and non-workplace injuries has become increasingly vague. The result is that employers have not been fully rewarding for maintaining safe workplaces. In addition, health care and rehabilitation costs climb, and judicial interpretation too frequently takes on the character of charitable rather than legal rulings. Fraud has also been a complaint. In sum, workers' compensation costs continue to constitute a significant cost for many small businesses, particularly those in the more dangerous industrial classifications.

8. Federal Paperwork

Paperwork is a perennial problem and a constant complaint of small business owners. Most federal paperwork is tax-related. The IRS, therefore, is the primary generator. A fundamental reason for IRS's status is that agency paperwork requirements impact all businesses. Part of the paperwork requirements are simply the record-keeping necessary to enforce laws and regulations. But another part is a bureaucratic appetite to justify its existence.

9. Cash Flow

Cash flow. Business owners understand the problem well. The most obvious vehicle for impacting cash flow is the tax code. For example, allowing business owners to expense an item improves cash flow; requiring them to depreciate an item aggravates it. Delayed payment to government contractors for work completed is another example of a policy that depresses cash flow. The contractor must pay his bills, including employee wages and taxes, as the work is done. The result is to draw on cash reserves (perhaps requiring short-term borrowing) to pay these bills, while waiting in turn to be paid. Inflation is a third example of a policy affected problem impacting cash flow. When the value of a dollar deteriorates, inventories cannot be replaced for the same money. That leaves the small business owner three unattractive alternatives: raising prices faster than competitors (lost sales), borrowing money to

finance new inventories (additional costs), or failure to fully replenish inventories (lost sales). "Cash Flow" is particularly stressful on young businesses, those doing poorly, and those growing rapidly.

10. Cost of Natural Gas, Gasoline, Fuel Oil

The assessment of this problem is clearly related to the trend in world oil prices at the time of this writing. Crude oil rose from \$12 per barrel in early 1999 to \$26 in early 2000. The result was rising prices for petroleum and petroleum-related products, gasoline and diesel fuel being the most visible. It is little wonder that truckers and others in the transportation industry have been severely impacted by higher oil prices.

Businesses in other industries employing vans and light trucks for delivery and shuttling equipment and people have been similarly, if less dramatically, affected. However, the energy intensive agriculture industry is the one most impacted comparatively. Whether the petroleum-based product is used for fuel to power fishing boats and logging trucks or for nitrogen intensive fertilizers, agriculture-oriented businesses are dependent on the cost of natural gas, gasoline and fuel oil to be profitable. Through energy cost problems are cyclical and will likely decline in the near future, the problem's rank is another reminder of the dependence many small business sectors have on petroleum-based products.

"Small Business Problems And Priorities," Dennis, William J. Jr., NFIB Education Foundation, 2000, pages 1-10.

Call For Papers and Workshops

USASBE/SBIDA 2001: An Entrepreneurial Odyssey

USASBE and SBIDA Joint National Conference will be held in Orlando, Florida, February 6-10, 2001. The 2001 conference will be the 25th SBIDA National Conference and 16th USASBE National Conference.

Papers, workshops, case studies, and symposia are invited which deal, directly or indirectly, with family business, entrepreneurship, entrepreneurship education, small business management, management consulting and the management of the student based SBI consulting program. Consideration will be given to papers of an applied, empirical, conceptual and public policy orientation.

Papers should address issues of significance to entrepreneurship and small business development. Workshop presentations should address the themes of the conference and be targeted to one of the USASBE and/or SBIDA divisions.

Submission deadline for papers and symposia: September 15, 2000

For more details on the this conference and submission instructions, visit <http://www.sbaer.uca.edu/docs/bulletins/2001usasbe.html>

Call For Papers

2001 Association Of Collegiate Marketing Educators Conference

Scholars and practitioners are invited to submit competitive papers for the 2001 Association of Collegiate Marketing Educators (formerly SWMA) Conference. Doctoral students are encouraged to submit papers, which are considered for the annual "Robert P. Leone Best Student Paper" award. The "Best Competitive Paper" for the conference will earn an award and possible consideration from the Journal of Business Research. The 2001 Conference will be held in New Orleans, LA, February 27 - March 3, 2001.

Submission Deadline: Friday, September 15, 2000

For more information on this conference, visit <http://www.sbaer.uca.edu/docs/bulletins/acme2001.htm>

Announcement

Small Business Problems & Priorities

We would like to announce that the fifth edition in the *Small Business Problems and Priorities* series by NFIB Education Foundation is currently available.

The National Federation of Independence Business (NFIB) was founded on the principle that the membership governs. However, the organization's leadership felt that NFIB's priorities also should reflect member priorities. *Small Business Problems and Priorities* was designed to help accomplish that objective. The survey and publication establish the relative importance of small business owner concerns.

For copies of *Small Business Problems and Priorities*, please contact:

William J. Dennis
Senior Research Fellow
NFIB Education Foundation

1201 F Street NW
Suite 200
Washington, DC 20004

202-554-9000
Fax 202-554-5572
denny.dennis@nfib.org

- If you have any comments about the SBANC newsletter or if you know of any upcoming small business event to promote, please contact Jin Hess at jah6677@cub.uca.edu
-

- SBANC Newsletter is provided as a service to the **International Council for Small Business (ICSB)** members and the **Association for Small Business and Entrepreneurship (ASBE)** members.
 - If interested in becoming a member of ICSB, visit <http://www.icsb.org/about/join.htm>
 - If interested in becoming a member of ASBE, contact Patti Wilber at plwilber@nwsu.edu
-

SBANC Staff

- Main Office Phone: (501) 450-5300
 - **Dr. Don B. Bradley III**, Executive Director & Professor of Marketing
-- Direct Phone: (501) 450-5345 -- E-mail: Donb@mail.uca.edu
 - **Krystall Ellis** -- Graduate Assistant -- E-mail: krystall_e@yahoo.com
 - **Jay Garrison** -- Student Intern -- E-mail: jkg9940@cub.uca.edu
 - **Jin Hess** -- Student Intern -- E-mail: jah6677@cub.uca.edu
-

If you do not wish to receive this newsletter, please send an e-mail to webmaster@www.sbaer.uca.edu with the word "**remove**" in the subject line.

If you would like be added to the list may send a message to the same address, with "**add**" in the subject line.