

# NEWSLETTER - February 12, 2002

## Issue: 214-2002

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### Feature Paper

#### Entrepreneurial Success in the New Economy

This paper was presented by Sally W. Fowler, Thomas B. Lawrence and Erica A. Morse, all of the University of Victoria, at the 2001 Joint Conference of the USASBE/SBIDA, held February 7-10, 2001 in Orlando, Florida.

In the past decade, technological advancements have led to changes in the economy with important implications for the strategic management of new ventures. In this paper, the authors argue that the dynamics of competition, success, and failure for new ventures have been significantly altered by the convergence of electronic technologies and the growing importance of knowledge-based assets. They proceed from the traditional argument that relates first-mover advantage positively and liabilities of newness negatively to entrepreneurial success. The extremely high failure rate of new firms suggests that traditional startups have typically been overwhelmed by liabilities of newness. They then argue that two features of firms competing in the new economy-knowledge-based assets and "virtual embeddedness"-work to diminish the effects of the liabilities of newness and increase returns to first movers, consequently increasing the probability of success for pioneering new ventures.

To read this entire paper on success in the new economy, visit our Web site at <http://www.sbaer.uca.edu/Research/2001/USABE-SBIDA/pdf/PAPERS/Volume1/027.pdf>

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### Tip Of the Week

#### "E-Commerce Misconceptions"

Much like small business, e-commerce will eventually evolve into just another form of business with annual statistics printed in magazines and journals. We are, however, presently in the midst of the "start-up" phase of e-commerce. The popularity and necessity of online business have enticed numerous entrepreneurs to delve into something that is way over their heads. Common misconceptions about the ease of engaging in e-commerce are listed below.

1 - Setting up a Web site is easy and inexpensive. Static Web pages are easy and inexpensive. The interactive, transactional Web sites that successful e-business maintain require integration, extensive customer service support, and constant updating. Costs can vary from tens of thousands to a million dollars to run a well-planned Web site. Web engineering and advertising firms can prove beneficial in this respect, as they are knowledgeable about the best support systems for the job and are able to get the job done right the first time without wasting valuable time and money.

2 - If you build it, they will come. According to Martha Frey, e-business expert, small businesses often get lost in the listings. If the business can afford it, she recommends spending \$1,000 per month to maintain a keyword banner ad. Unfortunately, the banner will appear only if the company name is typed into the search engine. "Check-out" banners are a good tool to get the attention of the Web users who are likely to buy again. Such ads pop up on the pages of companies that provide similar or complementary products and services, encouraging the browser to do more research.

3 - We don't need to worry about privacy. Privacy statements exist to ensure that consumers understand that there is no intention, on behalf of the Internet business, to offer or sell their personal information. Even though legal concerns have been voiced and debated throughout various agencies and associations, many small businesses and entrepreneurs have failed to publish privacy statements on their sites. Experts strongly recommend comprehensive, thoughtful privacy statements be used on interactive Web sites.

4 - It's too late to get on the Web. It is difficult to comprehend the benefits that the Internet has provided to most of the world. Currently, the professional services sector is the largest user of the Internet, while the retail and health care industries are still dabbling with its potential. Experts predict that the bandwidth will continue to grow, facilitating the use of the Internet as a common mainstay. As the number of business owners purchasing and using PCs increases worldwide, the Internet will emerge as the major form of global business.

"Entrepreneurship: A Contemporary Approach; Fifth Edition" Kuratko, Donald and Hodgetts, Richard, Harcourt College Publishers, 2001, page 37.

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## Call For Papers

### Atlantic Marketing Association 2002 Meeting

Please join us for the 2002 Atlantic Marketing Association Meeting, to be held October 2-5, 2002 in Savannah, Georgia. The theme of this year's conference is "Marketing and the Future."

Submission deadline for papers: April 15, 2002

For more details on this conference, visit [http://atlanticmarketing.org/call\\_for\\_papers.htm](http://atlanticmarketing.org/call_for_papers.htm)

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## Conference

### 13th Annual North American Research and Teaching Symposium on Purchasing and Supply Chain Management

Please join us for the 13th Annual North American Research and Training Symposium on Purchasing and Supply Chain Management to be held March 21-23, 2002 at the Embassy Suites Hotel, Dallas Market Center, in Dallas, Texas.

This innovative program focuses on research in the fields of supply management, purchasing, logistics, materials management, information technology, and decision science. Join your distinguished colleagues from academia, research, and business in this challenging program that explores current research findings, ongoing research, emerging trends, research methodologies, and business research needs.

The program features an inventive mix of presenters from business and academia creating opportunities to explore the application of theoretical research to create business solutions. The symposium highlights include the presentation of several research papers selected through a rigorous review process. Combining an organizational and academic view, this respected event covers content and delivery practices gleaned from each platform.

Don't miss the unique opportunity to network with colleagues within an atmosphere of constructive decision and insightful exchange.

For further information on this conference, visit <http://www.ism.ws/Conferences/ResearchSymposium2002.cfm>

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## Announcement

### Kauffman Foundation Updated Website

Be sure to check out the Ewing Marion Kauffman Foundations new updated website at <http://www.emkf.org> The website contains information on entrepreneurship, early education, K-12 education and healthy neighborhoods; compelling photo essays that tell stories of real people putting resources to work; links to helpful resources and related sites, and much more!

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## Announcement

### IRS Change Provides Tax Relief for Larger Small Businesses

The IRS announced a change allowing simplified tax filing for up to a half million additional small businesses beginning in tax year 2001. IRS Notice 2001-76 allows certain small businesses with gross receipts of \$10 million or less to use the cash method of accounting for income and expenses instead of the costly and complicated inventory and accrual method.

Acting Chief Counsel for Advocacy Susan M. Walthall praised the tax change. "With this change, a half million small businesses can expect a happier new year. The change lets business owners devote more of their resources to running their businesses instead of trying to comply with difficult accounting rules. We'd like to see the IRS extend this option to even more small businesses."

Until now, the IRS could impose the more stringent method, accrual accounting, on businesses with more than \$1 million in receipts. Under accrual accounting, a business generally reports income when it has a right to receive payment and deducts expenses when it has a fixed and determinable liability for them. This can be complicated, requiring specialized accounting assistance, and can create cash flow problems for small businesses.

Expanding the number of small businesses that can use this simplified accounting method has been a prime goal for supporters of small business. The Office of Advocacy, the White House Conference participants, and a host of small business representatives have urged the IRS to make this change. In testimony before the Senate last spring, the Office of Advocacy recommended that Congress take action on this issue if the IRS failed to act. Advocacy is extremely pleased that the IRS decided to act on its own and speed up this needed change.

For questions related to the change, Advocacy's assistant chief counsel for tax policy, Russell Orban, can be reached at (202) 205-6946 or via e-mail at [russell.orban@sba.gov](mailto:russell.orban@sba.gov)

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## Announcement

### Reg Compliance Site Launched

A new website, [www.businesslaw.gov](http://www.businesslaw.gov) offers small business owners a gateway for finding, understanding, and complying with federal, state and local regulations.

The Small Business Administration launched the site as part of the Bush administration's e-government initiative. It includes links to regulatory announcements, plain-English guides to basic laws applying to each stage of a small business, and compliance assistance information by topic. Users can also get information about state and local business regulations. The site also includes news from congressional small business committees and the Office of Advocacy, and it has links to the *U.S. Code* and the *Federal Register*.

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# Announcement

## FBD Conference Registration Available Online

The Federation of Business Disciplines has posted the registration forms and other conference information for their upcoming conference, to be held March 5-9, 2002 in St. Louis, Missouri on their website located at <http://www.fbds.org/>

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If you have any comments about the SBANC newsletter or if you know of any upcoming small business event to promote, please contact Scott Russell at [sdr95002@cub.uca.edu](mailto:sdr95002@cub.uca.edu)

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SBANC Newsletter is provided as a service to the **Association for Small Business and Entrepreneurship (ASBE)** members and the **International Council for Small Business (ICSB)** members.

If interested in becoming a member of ASBE, contact Corbett Gaulden, Jr., at [gaulden\\_c@utpb.edu](mailto:gaulden_c@utpb.edu)

If interested in becoming a member of ICSB, visit <http://www.icsb.org/about/join.htm>

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