

Small Businesses - Big Obstacles

By Sam Vaknin, Ph.D.

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Everyone is talking about small businesses. In 1993, when it was allowed, more than 90,000 new firms were registered by individuals. Now, less than three years later, official figures show that only 40,000 of them still pay their dues and present annual financial statements. These firms are called "active" - but this is a misrepresentation. Only a very small fraction really does business and produces income.

Why this reversal? Why were people so enthusiastic to register companies - and then became too desperate to operate them?

Small businesses is more than a fashion or a buzzword. In the USA, only small businesses create new jobs. The big dinosaur firms (the "blue-chips") create negative employment - they fire people. This trend has a glitzy name: downsizing.

In Israel many small businesses became world class exporters and big companies in world terms. The same goes, to a lesser extent, in Britain and in Germany.

Virtually every Western country has a "Small Business Administration" (SBAs).

These agencies provide many valuable services to small businesses:

They help them organize funding for all their needs: infrastructure, capital goods (machinery and equipment), land, working capital, licence and patent fees and charges, etc.

The SBAs have access to government funds, to local venture capital funds, to international and multilateral investment sources, to the local banking community and to private investors. They act as capital brokers at a fraction of the costs that private brokers and organized markets charge.

They assist the entrepreneur in the preparation of business plans, feasibility studies, application forms, questionnaires - and any other thing which the new start-up venture might need to raise funds to finance its operations.

This saves the new business a lot of money. The costs of preparing such documents in the private sector amount to thousands of DM per document.

They reduce bureaucracy. They mediate between the small business and the various tentacles of this squid called The Government. They become the ONLY address which the new business should approach, a "One Stop Shop".

But why do new (usually small) businesses need special treatment and encouragement at all? And if they do need it - what are the best ways to provide them with this help?

A new businesses goes through phases in business cycle (very similar to the stages in human life).

The first phase - is the formation of an idea. A person - or a limited group of people join forces, centred around one exciting invention, process or service.

These crystallizing ideas have a few hallmarks:

They are oriented to fill the needs of a market niche (a small group of select consumers or customers) , or to provide an innovative solution to a problem which bothers many, or to create a market for a totally new product or service, or to provide a better solution to a problem which is solved in a non-efficient manner.

At this stage what the entrepreneurs need most is expertise. They need a marketing expert to tell them if their idea is marketable and viable. They need a financial expert to tell them if they can get funds in each phase of the business cycle - and wherefrom and also if the product or service can produce enough income to support the business, pay back debts and yield a profit to the investors. They need technical experts to tell them if the idea can or cannot be transformed to reality and what it requires by way of technology transfers, engineering skills, know-how, etc.

Once the idea has been shaped to its final form by the team of entrepreneurs and experts - the proper legal entity should be formed. A bewildering array of possibilities arises:

A partnership? A corporation - and if so a stock or a non-stock company? A research and development (RND) entity? A foreign company or a local entity? And so on.

This decision is of cardinal importance. It has enormous tax implications and in the near future of the firm it greatly influences the firm's ability to raise funds in the foreign capital markets. Thus, a lawyer must be consulted who knows both the local applicable laws and the foreign legislation in markets which could be relevant to the firm.

This costs a lot of money. One thing that entrepreneurs are in short supply of - is money. Free legal advice will be highly appreciated by them.

When the firm is properly legally established, registered with all the necessary authorities and has appointed an accounting firm - it can go on to tackle its main business: developing new products and services. At this stage the firm should adopt Western accounting standards and methodology. The Macedonian accounting system leaves too much room for creative playing with reserves and with amortization. No one in the West will give the firm credits or invest in it based on local financial statements.

A whole host of problems faces the new firm immediately upon its formation.

Good entrepreneurs do not necessarily make good managers. Management techniques are not a genetic heritage. They must be learnt and assimilated. Today's modern management includes many elements: manpower, finances, marketing, investing in the firm's future through the development of new products, services or even whole new business lines. That is quite a lot and very few people are properly trained to do the job successfully.

On top of that, markets do not always react the way entrepreneurs expect them to react. Markets are evolving creatures: they change, they develop, they disappear and re-appear. They are exceedingly hard to predict. The sales projections of the firm could prove to be unfounded. Its contingency funds can evaporate.

Sometimes it is better to create a product mix: manufacture well-recognized products which will sell well for sure - side by side with innovative products.

I gave you a brief - and by no way comprehensive - taste of what awaits the new business and its initiator. You see that a lot of money and effort are needed even in the first phases of creating a business.

How can the Government help?

It could set up an "Entrepreneur's One Stop Shop".

A person wishing to establish a new business will go to a government agency.

In one office, he will find the representatives of all the relevant government offices, authorities, agencies and municipalities. He will present his case and the business that he wishes to develop. In a matter of few weeks he will receive all the necessary permits and licences without having to go to each of the offices separately.

Having finalized the obtaining of licences and permits and the registration with all the appropriate authorities - the entrepreneur will move on to the next room in the same building. Here he will receive a list of all the sources of capital available to him both locally and from foreign sources. The terms and conditions of the financing will be specified near each and every sources. Example: EBRD - loans of up to 10 years - interest between 6.5% to 8% - grace period of up to 3 years - finances mainly industry, financial services, environmental projects, infrastructure and public services.

The entrepreneur will select the sources of funds most suitable for his needs - and proceed to the next room.

The next room will contain all the experts necessary to establish the business, get it going - and, most important, raise funds from both local and international institutions. For a symbolic sum they will prepare all the documents required by the financing institutions as per their instructions.

But entrepreneurs in Macedonia are still fearful and uninformed. They are intimidated by

the complexity of the task facing them.

The solution is simple: a tutor or a mentor will be attached to each and every entrepreneur. This tutor will escort the entrepreneur from the first phase to the last.

He will be employed by the "One Stop Shop" and his role will be to ease life for the novice businessman. He will transform the person to a businessman.

And then they will wish the entrepreneur: "Bon Voyage" - and may the best ones win.

Sam Vaknin is the author of "Malignant Self Love - Narcissism Revisited" and "After the Rain - How the West Lost the East". He is a columnist in "Central Europe Review", United Press International (UPI) and ebookweb.org and the editor of mental health and Central East Europe categories in The Open Directory, Suite101 and searcheurope.com. Until recently, he served as the Economic Advisor to the Government of Macedonia.

His web site: <http://samvak.tripod.com>

Need a Boost? Take a Look at How Far You've Come

By Lisa Lake

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by: **Lisa Lake**

Too many of us are too hard on ourselves, always alert to that devilish voice whispering "you should be farther along in life". Smother that voice right now by reading this quote by Booker T. Washington:

"I have learned that success is to be measured not so much by the position that one has reached in life as by the obstacles which he has overcome while trying to succeed."

What enviable wisdom!

Obstacles, impediments, interruptions. Have you ever had to retrieve a sick child from school when you're working with the direction and the intensity of a tornado? Yet I don't think he meant kind of interruption.

No, I think he meant much bigger obstacles. Obstacles with a capital O. Like starting a business with no money. Or no skills. Like disabilities, or serious illnesses.

Every business person should take a look now and then at how far they he has come, instead of how far they have to go. It's like looking back at the hill you just jogged up. I do this every time I have to re-do my resume. It's a natural time to reflect on what you've learned, how you've grown.

Get a boost as a business owner by evaluating more than the profits you've earned. How about determination, and courage, and wisdom? Those don't flow from the water fountain. Consider the knowledge you've gained -- often the hard way -- and the priceless result of real, gritty, experience. You could probably add a few important words to the popular Just Do It motto. How about Just-Figure-Out-a-Way-To-Do-It!

Even if you haven't reached the goals you once set (and they might need to be reevaluated), are you a better businessperson today? Reward yourself for your diligence! Do you understand your work habits and what motivates you? Do you concentrate and focus better, making fewer dumb mistakes? Once my boss had to stop the presses at a big city newspaper because I had missed a 2-inch tall headline in a multi-thousand dollar double spread ad that read "Granding Opening!" (My obstacle was apparently stupidity thicker than a brick wall that day.) Today I REALLY focus when I'm proofreading.

Of great importance, have you learned to appreciate that tomorrow will be a better day if you're having a bad one today?

If you've succeeded despite many obstacles, give yourself a boost by looking back. It shouldn't always come through a cup of coffee or in a candy bar wrapper or in bonus

check. It should come from within you!

Lisa Lake shares her ability to communicate through good writing with anyone who wants to learn. See her free tips at <http://MyAdBlaster.com> and catch advice from the staff at <http://InternetWriters.com> Quick turnaround on writing from classified ads to ezines and ebooks. Reach Lisa at lisa@drnunley.com or 801-328-9006.

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