

Starting and Managing A “Main Street” Business in the New Economy

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August 5, 2006

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Introduction

Organized ideas from these visionary thinkers:

- The Tofflers
- Tom Friedman
- K. Ohmae (of Japan)
- P. Drucker
- Richard Florida
- etc.

The Changes

- In knowledge and technologies—inventions, discoveries, new problems and solutions; at faster speed
- Open society/economies—freer and faster flows of ideas, goods, services, people, capital, etc. around the world—An interlinked and borderless world(?)
- The distances between the users/buyers and the providers/sellers shortened significantly—in time and geographic distances
- Instant information access and immediate decision making by business and consumers

The Changes (contd.)

- Assimilation of cultures and life styles?
- Information and misinformation explosion
- Aging population—wealthy baby boomers and aging poor
- The growth of “middle income” group—newly industrialized nations; accumulation of wealth and capital
- The widening divide/gaps—IT/digital divide; skills/knowledge divide; income/wealth divide (at home and around the world)

More on IT Revolution

Progress in information and communication technologies that create a revolution rather than an evolution in the conduct of economic and social activities

- The increasing importance of information—as the commodity as well as the inputs in decision making in consumption and production process
- New technologies and models/methods in collection, processing, analyzing, storage, and the dissemination of information
- The pervasive impacts of the changes—daily living at home and at work (what you see, read, and consume at home as well as how you work at home or in office, etc.)

IT Revolution (contd.,)

- Many new digital products--talks, ideas, videos, documents, games, etc., available for “immediate” consumption;
- Many new activities, transactions and exchanges in the virtual meeting and market places

Changes in the marketplaces for businesses—small and large

- **The markets** become more competitive—more competitors in the markets for products and for inputs; More and better informed buyers as well
- **Changing demands**—new buyers (consumers and business owners) from “distant” places; demand for new products/new solutions; ever and accelerating changes in demand ; in-home consumption

Changes in the marketplaces for businesses—small and large (contd.)

- **Changing supplies**—easier and cost effective access to the resource markets (workers and production facilities abroad) by producers; the flat economy; the virtual factories; customized manufacturing; Instant delivery
- Greater uncertainty—unexpected changes
- Volatile markets—e.g. financial instability caused by rapid inflows and outflows, of capital (interruptions; bottlenecks; chain reactions)

Change = crisis/threats and opportunities

The threats to the old timers—threats of destruction; your markets are shrinking

- More competition in the markets—
 - From foreign companies
 - From large corporations (Wal-Mart to local stores; Home Depot/Lowes to local hardware stores; etc.)
 - Competition from other SMEs—Easy market access

Examples:

- Media industry—print media versus web; advertising revenues
- Asset/wealth management—banks versus public markets; full service versus discount brokers
- Digital photograph to films; photo finishing
- Wireless to lined telephone services
- Distance learning to classroom teaching
- Website retailing to in-store retailing; (consumed at home; value-added at home)
- Big-box retailers versus small local retailers

Change = crisis/threats and opportunities (contd.)

The opportunities—With easier market entry and the emerging new markets, huge opportunities open to entrepreneurs

- New markets—
 - Aging population-their special needs
 - Foreign buyers; e.g. the prospect of easy access to 700-800 million middle market customers linked by cell-phones and the webs
 - Markets for knowledge related products—education, buying and selling of “advices”;
 - Markets for “wealth management”—retirement savings, etc
- New products—“paper money”, “credit”, “rights” , “information”, “patent”;
 - “Web space”
 - “Virtual community”—a place where web surfer visits, talks, etc.; as the place for advertisement
 - Products that are value-added at home (home education?) versus ready for consumption (carry-out services)

Entrepreneurship—creating wealth through serving the customers

Engaging in entrepreneurial activities involves identifying the needs/problems, finding new solutions, creating new products, and entering new markets, etc. to satisfy the unmet demand of the customers

- Entrepreneurs are constantly looking for solutions to help solve their customers' problems
- Qualities of a successful entrepreneur
 - Dreamer--high imagination
 - Highly sensitive and observant to changes in the surrounding environment
 - Inquisitiveness—always asking why, how to, alternatives; what if, constant learning and seeking answers
 - Problem solver—out of the box thinker; alternative solutions; devil's advocate
 - Risk taker
 - Action oriented—always directing solutions to customers' problems
 - Realistic business person—feasible solutions over ideal solutions; constant revision and verification
- An entrepreneur—may not be the best business manager, the best inventor/innovator, or the best CEO. But he/she is a leader, an effective manager/organizer, an innovator, and a risk taker all in one
- Not everyone can be a successful entrepreneur

The entrepreneurial process

Dreams-----Visions-----A Venture

Since only few dreams turn into successful ventures, the process involves much hard work, persistence, and lucks

From dreams to visions

Use imagination to extend new knowledge/technologies for new discoveries and/or to apply new knowledge/technologies to solve problems in other activities/areas

The process—

A methodical and iterative process of finding practical solutions/products to meet the needs of the customers; conceptualization of ideas; development of concrete and practical solutions/products

Final outcome— focused practical solutions/products

Example—

- Problems in commuting to work
- Lack of parking space in big cities
- Dealing with high gas prices
- Helping poor countries to develop
- Taking advantage of cheap labor costs in India, China, Latin America, etc.
- Building a Chinese community in Richmond, Vancouver, Canada

From dreams to visions (continued)

- Those dot.com dreamers of the late 1990s--e exchange; e voting; e retailing; e lending
- Taking advantage of low health care costs in foreign countries
- Selling e space?
- Constant monitoring of the invalid individuals?

From visions to ventures

Creating a company (or a new division) to implement the vision.

An efficient and entrepreneurial organization--staffed by competent and motivated staff/workers, operates a streamlined production process (supply chains) to manufacturing quality products/solutions at reasonable prices to meet the needs of the customers

A company that maintains its entrepreneurial spirit--constantly exploring and developing alternative options/solutions to develop concrete visions for starting new ventures (new products/new markets) to stave off competition

Examples—Amazon; eBay; Google; Apple, Yahoo, Nokia, Myshare, and many others

The importance of an effective business plan

A concrete roadmap to build a profitable company/product with a significant market potential. A quantified plan with verified details about the three Cs (the customer, the competition, and the company) by Dr. Ohmae. A reality test in the competitive market place.

- Action plan
- Guideposts—quantified
- A process for verification of assumptions, business model
- A tool for adapting to changes
- Needed whether you are looking for outside funding or not

Essence of an effective business plan

- A clear, focused, and detailed description of the customers, the competition, and the company
- A quantified guidepost—in numbers
- The market for the product(s)—
 - The demand—the customers, the needs, at what costs
 - Your product/services—how they differ from the ones in the market
 - The competition—the big dogs, the apathetic buyers, the potential/hidden competitors
 - The alternatives
 - The importance of verification

Essence of an effective business plan (contd.)

- The company—how you can create an efficient and entrepreneurial organization constantly working to provide better products/services to the changing needs of the customers
 - A flow chart of total enterprise system from R&D to manufacturing/producing the product/service to satisfy the needs of the customers—decision hot-points and action hot-points
 - The management team—the entrepreneur and key partners
 - Company organization—a flat organization for close interaction
 - How the resources will be organized and managed to reach the goals—the R&D and investment programs, the manufacturing process, the delivery logistics
 - No single-product company—a company, not a product; the rule of successful investment—diversification in product offerings

Essence of an effective business plan (contd.)

- Alternative scenarios:
 - Different assumptions about the market size
 - Different assumptions about potential competition
 - The unexpected
 - Plans to deal with the unexpected
- The milestones and the final goal—a guide post for action and for monitoring performance (timeline and numbers)
- A detailed plan in numbers—a strategic plan—one to three years projections on revenues, expenses (This is a must when the company is looking for investment money from outsiders)
- Verification, verification, verification-Assumptions realistic? Include outsiders' verification of the projections? Realistic estimates of the baseline numbers? etc.

Conclusions

- The challenges—the changes, the opportunities
- You can meet the challenges and benefit from them by engaging in entrepreneurial activities
 - Keep up your entrepreneurial spirit and activities
 - Keep on interacting with mentors—the innovators, the entrepreneurs, the visionary thinkers
 - Keep on listening, observing, asking questions
 - Keep on exploring solutions to the problems faced by your customers (other businesses or consumers),
 - taking actions to solve their problems
- The risk and reward—success rates; high income and wealth for the business-owning households
- Remembering the “underserved”—Becoming a social entrepreneur?

Mean Income and Net Worth for All Households and Selected Types of Business-Owning Households, 1992 and 2001

Characteristics	1992	2001	Percent Change	1992	2001	Percent Change
	Mean Income	Mean Income		Mean Net Worth	Mean Net Worth	
	(2001 Dollars)		(%)	(2001 Dollars)		(%)
Total households	38,963	53,157	36.4	182,605	321,055	75.8
No business ownership	32,553	42,108	29.4	109,629	188,535	72.0
Any business ownership	77,526	122,658	58.2	621,581	1,154,706	85.8
Small business ownership	75,041	110,370	47.1	589,035	1,050,872	78.4
Owns and manages a single business	65,088	93,140	43.1	391,845	750,702	91.6
Owns and manages multiple businesses	114,196	171,992	50.6	1,364,875	2,124,424	55.6