



# Target Texas Business

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## Helping Small Business Succeed: Inc.-u-bation Stations

*The following article is a summary of an article on business incubators appearing in the August 1999, Fiscal Notes, Texas Comptroller's Office.*

Business incubators have been around for decades, helping new companies gather strength and experience before heading out on their own.

First seen as a way to revive ailing local economies with the help of public money, incubators are increasingly becoming privately run and profit oriented. Even large companies seeking to harvest promising ideas for new products are seeding incubators with investment.

There are more than 600 incubators in the United States, up from a dozen in 1980. Texas has almost three dozen of its own in cities such as Houston and San Antonio and in smaller towns such as Marshall, Early and Pharr.

### Incubators are cost efficient

Incubators return \$4.96 in jobs and taxes to their communities for every \$1.00 of public operating subsidies, according to the NBIA report.

Nationally, the survival rate of companies in business for at least four years in 1997 was 51.3 percent, according to the U.S. Small Business Administration. In Texas, the rate of business failures increased 20.9 percent in 1997 from 1996, according to Dun & Bradstreet Corp.

The Texas Business Incubator Association is studying how efficient the state's incubators have been in creating jobs, but hasn't published the results.

Incubators get funding from communities seeking to generate jobs; private concerns seeking profits; universities seeking to turn research into commercial enterprises; and combinations of these. As the incubator business matures, fewer are depending on public money.

Part of the success of incubators stems from the fact that their member companies have passed rigorous entry procedures. The basic requirements for applying are a strong management team, potential for job growth, financial resources and a product that has a short time to market. If those conditions are met, entrepreneurs must pass a series of evaluations.

The relationship of incubators to strong businesses can help businesses start-up and raise money. Reducing operational costs such as rent, office supplies and receptionists can help the new business.

For more information on business incubators, check these web sites:

National Business Incubator Association  
<<http://www.nbia.org>>

Texas Business Incubator Association  
<<http://www.tbia.org>>

### Specific Texas examples:

Small Business Incubator Facility  
<<http://www.earlytx.com/sbif/>>

STARTech Technology Business Development Center  
<<http://www.startech.org>>

Austin Technology Incubator  
<<http://www.ic2-ati.org>>

Dixie Cullen Interests  
<<http://www.dixiecullen.com>>



Texas Agricultural Extension Service  
The Texas A&M University System

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## Minding Your Business While Organizing Your Time

Get and use a time management system and stick to one calendar in your life. Keep it with you everyday that you have tasks to do or appointments to keep (which for most of us is just about everyday). Make sure it has a calendar section, daily sheets to record appointments and tasks for the day, along with a phone directory and a tabbed project section to keep necessary papers and information handy.

Plan each day the night before. Taking only 5-8 minutes to plan can save you ten times this amount in wasted time and missed appointments. You simply need to list your activities (tasks) for the following day and prioritize them according to their importance. Number them consecutively from one until they are all numbered. When you begin your day there is no need to re-decide what to do first – it is already figured out for you. When interruptions come along you can instantly look at your list and determine it's importance based on the remaining tasks on your existing list. By doing your planning the night before, you'll rest easier and reduce some of your stress.

Set aside 20 minutes three times per week to purge files and papers. No one really likes filing, but it only becomes worse when left for the end of the week (or worse, month!). Tackle paper filing either on the spot for papers which go into your immediate files alongside your desk, or at the end of the day for those that require you to get up from your chair.

Source: Julie Shulem, <<http://sbinformation.about.com/LIBRARY/TIPS/bltip88.htm>>

Refer to Chapter 4, Developing Time Management Techniques, in the *Ca\$hing in on Business Opportunities* curriculum.

## Hottest Home Based Businesses

Business *services* continues to be the biggest area of home based business growth. Among the fastest growing home based services is medical billing. Changes in Medicare billing requirements now require doctors to submit claims for payment on behalf of their patients and to submit electronically. Private insurance providers are also accepting electronic submissions. The challenge for home medical billing business owners is staying current on the rapid changes in health care insurance. Owners should check reliable references on medical management and health services businesses. Hottest areas in the *U.S. for new business*: Austin, San Antonio, Dallas, Houston are top. Others include San Marcos-Austin area and Fort Worth-Arlington.

Source: *Fiscal Notes*, August 1999

## Doing Business Online - Just Plain Good Business

### Save Online Receipts

Businesses and consumers are conducting an increasing amount of purchasing of goods, supplies and services online. If you live away from an urban shopping area, shopping and buying online may be a real convenience for you. Whether you're an experienced e-commerce buyer or not, there are a few common sense rules for "buying online."

1. Always print out your order confirmations and receipts so that you have a paper copy. Email the copy to yourself.
2. Save the email as confirmation of an order. You should receive a confirmation from the online vendor.

Then if any problems or questions arise, you can email your receipt and confirmation back to the vendor and get the matter resolved quickly.

More tips at: <<http://sbinformation.about.com/LIBRARY/TIPS/bltipidx.htm>>

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**Business on the WEB**

The WEB is touted to be the best business idea since sliced bread. What many entrepreneurs don't realize when they open a business and set up a web site is that they have to promote it. The likelihood of getting "hits" out of the blue is greater when the web site is promoted rather than left to chance "hits."

Source: *Business@Home*, <<http://www.gohome.com>>

### Women More Responsive than Men to Internet Ads

According to PC Data Online, an Internet research firm specializing in web commerce measurement, report that men are less motivated to 'click' on Internet banner ads. Fifty-one percent of women click occasionally compared to 43 percent of men. Only 39% of men and 29% of women seldom click. For more details, go to <<http://www.pcdonline.com/press/pcdo82699.asp>>.

### Brands Drive Web Retail Clothing Sales

Who shops at web clothing retailer sites? Those who are familiar with the 'brand' of clothing, and second those have had a favorable experience with a retailer. For more details, go to <<http://www.pcdonline.com/press/pcdo82699.asp>>.

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# Entrepreneurial Trends

“E” is alive and well in the U.S. However, a recently released study on global entrepreneurship reports that though funding is abundant, it is difficult for businesses just starting to access the funds. Additionally, the report states that the U.S. is lacking in evaluating the impact of entrepreneurial growth on the economy. What is needed are ways to “measure entrepreneurial activity, the number of new business start-ups and failures, and to evaluate the political, social and economic conditions that foster entrepreneurship (p. 2).” From 600,000-800,000 new companies with employees are started annually, while 2 million self-employment (no employees) businesses are started. Out of every 100 U.S. adults, as many as 8.4 – 16 million in all – are currently trying to start a business.

Among the strategies recommended by the study is to increase entrepreneurial education, particularly in schools.

Two sessions of *Ca\$hing in on Business Opportunities* will be available January 18, 19, 20, 2000 and February 15, 16, and 17 or April 4, 5, and 6, 2000 (tentative). Check the Professional Development Web site for more information <<http://extensionlearning.tamu.edu/train00.htm>>.

Source: Ewing Marion Kauffman Foundation, <[http://www.emkf.org/Show\\_Content.cfm?disp=1&cid=211](http://www.emkf.org/Show_Content.cfm?disp=1&cid=211)>

*An entrepreneurial moment ....  
There is one thing stronger than all the  
armies in the world: and that is an idea  
whose time has come. Victor Hugo*

## Insurance for Home Based Businesses

Many home based business owners are unaware of the risks they may encounter in running a business from home. Business owners tend to think that the cost of insurance outweighs the risks or that they just don't make enough income to be able to afford insurance. According to a 1999 Independent Insurance Agents of America survey, 60% of home based business owners may have less than adequate insurance. Seventy percent of home based business owners thought their home owners' insurance covered the business or were not aware they needed business coverage. Yet, the cost of coverage, depending on location and needs, can run less than the annual cost of cable TV. Too often the entrepreneur fails to consider protection for him/herself and what that means for the family dependent on the income from the home based business.

The following are questions that the home based business person should consider in determining their risk with the type of business they operate:

### Define the related risks.

What are some of the risks this business may face? A risk is uncertainty about the outcome of a situation or event. It is an event or situation that would cause a financial danger to the business. Think about how business is conducted, where a product or service is made/provided, or who is responsible for the product/service?

### Rate the likelihood of each risk occurring.

If a loss occurs due to one or more of the listed risks, what would be the financial loss to the business? Consider the risks listed, which risk management strategy could be used?

- Avoid (not take part in risk-taking activities),
- Reduce (reducing risks by trying to prevent certain losses),
- Accept (if a risk is not avoided, reduced or transferred then one accepts the risk), or
- Transfer the risk (purchase of insurance)?

Finally, based on the evaluation of risks above, what is the most critical insurance need the business owner should discuss with an insurance agent/broker?

There are several types of insurance that protect different aspects of the business, its owner, or customers. **Liability insurance** protects against financial losses suffered by others for whom you are responsible, i.e., someone trips on a rug in your living room while visiting your home business to pick up a product. **Life insurance** protects against financial losses from the owner's death, i.e., how much of the income from the business supplies the family's support. **Property insurance** protects against financial losses resulting from property damage or destruction, i.e., computer, equipment, inventory, etc. **Income insurance** protects against the loss of future income. State laws determine the coverage necessary for unemployment insurance, workers' compensation, disability insurance, and business interruption insurance.

Insurance is a choice for the home based business owner, but recognizing the risk factors associated with the business, may make insurance a necessity to protect self, property, income and others.

Sources: Gangloff, J. M. "How to shop for home-based business insurance." <<http://www.insure.com/business/homebizoffice.html>>

Refer to Chapter 19, Insuring Against Catastrophes, in the *Ca\$hing in on Business Opportunities* curriculum.

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## Watch for Home Based Business

# Scams

Beware of business offers that sound too good. Read the following and decide for yourself if this might be a “scam”:  
(This appeared in my e-mail post box one day!)

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Subject: I know this will sound scary, even downright unbelievable — but...

“Within 30 days you will start to get checks in the mail without any effort on your part...100% guaranteed or your money back!”

Finally, How to make money in a home based business with ...No phone calls...No selling...No bothering friends...anyone can succeed because we’ll do most of the work for you!

Follow my simple “step-by-step” instructions and I will help you earn enough income to quit your job within a year! Make money, BEFORE you spend one penny!

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The writer went on to explain that his system makes money in 30 days, requires “literally” no work on my part, I’d be collecting “fast cash” checks weekly, and I would build a “massive” passive residual income!

### What would YOU do?

Some possible responses:

- ☛ Hit the DELETE key immediately.
- ☛ Read it through very carefully, then delete.
- ☛ Go to the Better Business Bureau web site for more information on the name of the business.
- ☛ Respond to (see what happens).
- ☛ Pass it on to others.

The “bottom line” on scams – check out the source, NEVER send any amount of money *ahead* of knowing what is in the offer, and make sure there’s an actual product for sale (not just an opportunity).

NEVER send money before contacting the company FIRST and knowing EXACTLY what the job is. One example shared in an online newsletter, “Business @Home,” found that the offer to do envelope assembly work at home was true, however, instead of only assembling the company’s product envelopes, the new home based business owner was expected to advertise

for orders, and then assemble materials at their own expense. Even though an advertising guide to companies was provided, the addresses were out-of-date. Check out every lead to ensure that business offers are legitimate and that they will fit your interests and skills. Even though “prepackaged” businesses may be easier to start than your own ideas, finding a real “need” for your business may be a surer way of succeeding.

For further information, refer to Chapter 2, Spotting Opportunities Among Scams, in the *Ca\$hing in on Business Opportunities Curriculum*.

## Tips for Home Based Business Startup

### *\*switching from employee status to independent business owner*

- ☆ Plan ahead. Advisors suggest having six months salary in the bank before starting on your own.
- ☆ Network with other home based workers or businesses.
- ☆ Remember to consider your former employer as a potential customer. Become that company’s independent contractor.
- ☆ Be aggressive...let people know the services you can provide and the price.
- ☆ Don’t apologize for the “right price.”
- ☆ Deliver what you say you will.

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## Getting Kids Involved in the Family Business

The self-employed must find creative solutions to finding help – before it's most needed. 1997 figures on sole proprietors indicate almost 15 million or 11.5 percent are self-employed. Family members are frequently the source of help – some paid and some not.

According to Jayne Pearl, author of the book, *Kids and Money: Giving Them the Savvy to Succeed Financially*, there are benefits for parent/owners to putting kids on the payroll:

- ★ Deduction of 'reasonable' salaries to dependent children under 18.
- ★ Savings of 43 cents on every dollar if owner is in the top 28 percent federal tax bracket. The limit in 1999 is \$4,300.
- ★ Kids under 18 can earn up to \$4,300 tax free in 1999.
- ★ No withholding or Social Security tax on kids' income under 17 on a sole proprietor's payroll.
- ★ Other important benefits: children learn work ethic and valuable skills.

Some precautions are in order for the parent/owner considering hiring their own child:

1. Match the right job for the right age of the child. List tasks and time to complete them. Assigning work that is too complicated can discourage kids, while giving work that is below the abilities of the child can cause boredom. Consider gradually adding responsibilities that increase the knowledge of the child about how the business works. However, be aware that overworking for kids can interfere with school, create undue stress, reduce sleep and related childhood activities.
2. Set reasonable work hours for the child. Too many hours can interfere with school and other activities that build a well-rounded person, something colleges and businesses are looking for these days.
3. Pay your child fair wages. Business owners, according to Pearl, make one of two mistakes. They either pay too little or too much. Experts recommend paying your child what you would pay other employees with similar responsibilities, though age of the child should be a prime consideration, even though they have the skills of a professional. Over paying can run a parent/owner into problems with the IRS. Refer to IRS guidelines on dividends and gifts.

4. Set rules on spending wages. Too much disposable income available to youthful employees can create a false affluence for children that is difficult to overcome when they do get on their own and have to manage a budget. Set guidelines for casual spending and saving. Some experts recommend charging for room and board, car and entertainment expenses.
5. Take advantage of the teachable moment. Explain the contribution of the child's particular job to the business.

For more information on Family Business issues, read the information included with this newsletter on the Southern States Family Business Research.

Also, refer to Chapter 3, Balancing Work and Family, in the *Ca\$hing in on Business Opportunities* curriculum.



Source: Related Matters, UMASS Family Business Center, Summer, 1999.

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## Conferences



### Professional Development Training 2000

Two dates for training on *Ca\$hing in on Business Opportunities* curriculum. This curriculum supports economic development issues, business management/education issues identified in Texas Community Futures Forum. Registration forms will be out in early November.

**Tyler** – January 18, 19, and 20, 2000

**Abilene** – February 15, 16, and 17 or April 4, 5, and 6, 2000 (tentative)

### Capture the Spirit

*November 4-7, 1999*

Do you believe that entrepreneurship education is a lifelong learning challenge in America? Join educators and program designers from all over the U.S. for the 17<sup>th</sup> Annual Entrepreneurship Education Forum, November 4-7, 1999, in San Diego, California. For a brochure and details, go to <<http://www.entre-ed.org/forumb~2.htm>> or contact Cathy Ashmore at <[ashmore.1@osu.edu](mailto:ashmore.1@osu.edu)>, or 614-486-6538, or fax 419-791-8922, or at mailing address: Cathy Ashmore, Executive Director, The Consortium for Entrepreneurship Education, 1601 West Fifth Avenue, PMB 199, Columbus, OH 43212

# Southern United States

## Family Businesses: Interaction in Work and Family Spheres

### A Study of Family Owned Businesses

#### National Study Design

In a 1997 national study of family owned businesses, 1,116 households were asked to take part in a survey. From all 50 states and parts of Canada, family households in which one or more members owned or managed a business were selected at random to complete a two-phase telephone interview.

This study defined *family* as two or more persons who were related by blood, marriage, or adoption and who shared a common dwelling unit. Eligible business owners or managers (a) had worked in the business at least 6 hours per week year round or a minimum of 312 hours in the previous year, (b) were involved in the day-to-day management of the business, and (c) had been in business for at least one year.

The first phase of the interview was conducted with the family household manager, the person who usually took care of meal preparation, laundry, cleaning, family activity scheduling, and child care. The second phase of the interview was conducted with the family business manager, the family member who was involved in the business.

Almost 71% of the families contacted agreed to participate, resulting in a national sample of 794 family businesses. The sample consisted of four groups:

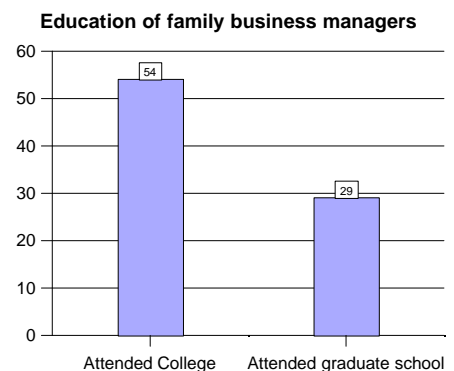
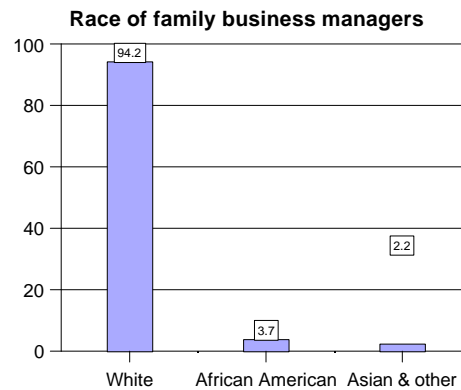
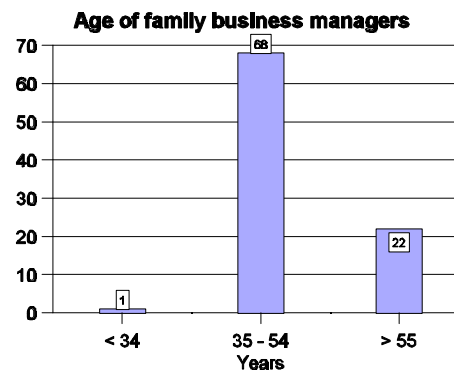
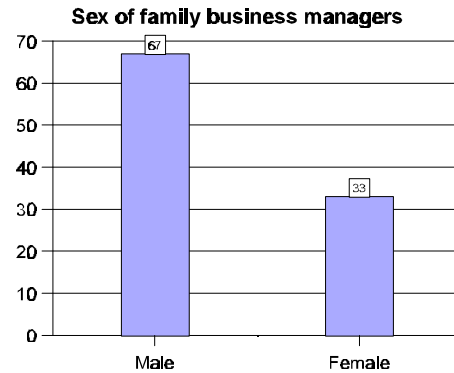
- Families with a separate household manager and business manager ( $n=414$ )
- Families with the same household manager and business manager ( $n=259$ )
- Household managers ( $n=86$ )
- Business managers ( $n=35$ )

#### Southern family businesses

In the Southern region, 212 business managers were interviewed from 13 states (Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, and Virginia).

#### Characteristics of participants

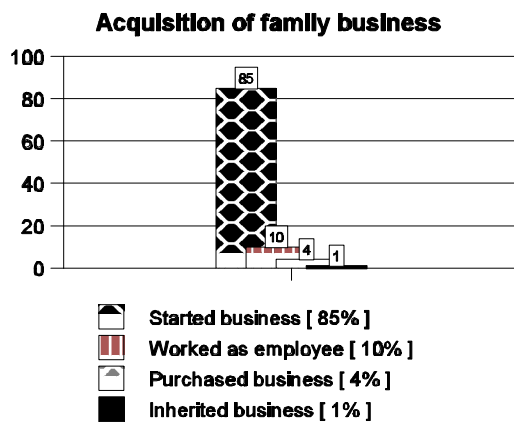
About two thirds (67%) of the business managers were male; one third (33%) were female. More than two thirds (68%) were middle aged (35-54 years old), with an average age of 47 years. Most participants were married (90%) and lived in households with four or fewer members (87%). Nearly all were White (94.2%) or African American (3.7%), with Asian and other minorities constituting less than 2.2% of the sample. About 54% of the managers had attended college, and 29% had attended graduate school. The majority (97%) expressed a religious affiliation.



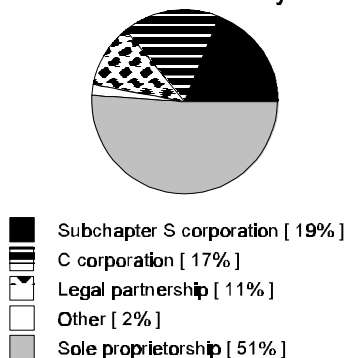
## Characteristics of businesses

The origins of the businesses in the sample were varied: 85% of the managers started the business on their own, 10% first worked in the business as employees, 4% purchased it from another owner, and 1% inherited it from the previous generation. Most of the businesses (96%) were started after World War II, and 38% were begun after 1990. Of the types of business ownership reported, sole proprietorships dominated (51%). Other business entities were subchapter S corporations (19%), C corporations (17%), and legal partnerships (11%). The remaining businesses (2%) operated as limited liability corporations, corporations DKs, or nonspousal joint ownerships.

On average, business managers had 11 years of business experience. They had operated their businesses for an average of 14 years. About one fourth (26%) of the family businesses were located in rural areas, and more than half (53%) were located in cities with populations over 10,000. The number of employees in the family businesses ranged from 0 to 250, with 67% having fewer than 14 employees. More than two thirds (68%) of the businesses used computers, and of these, almost half (48%) used the Internet or the World Wide Web.



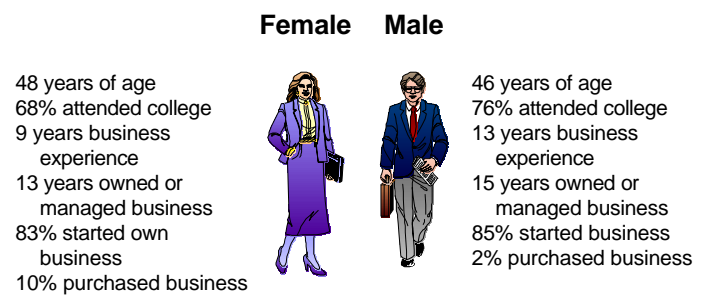
## Business entity



## Gender Difference

Differences were noted between male and female business managers in the sample. The average age of the women managers (48 years old) was slightly higher than that of male managers (46 years old). Men had attained higher levels of education than women: 76% of the men compared with 68% of the women had attended college or graduate school.

Men had more years of business experience than women (13 years vs. 9 years, on average). In addition, the businesses operated by male managers had a longer history (15 years) than those operated by female managers (13 years). Women were more likely than men to have become involved in the business by purchasing it (10% vs. 2%) or inheriting it (2% vs. 0.6%). More men than women had started their own businesses (85% vs. 83%) or first worked in the business as an employee (12% vs. 5%).



## Business managers

### Differences in business acquisition between men and women

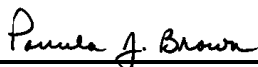


This report was prepared through the Cooperative Regional Research Project NE-167R, "Family Businesses: Interaction in Work and Family Spheres," partially funded through the Cooperative States Research, Education and Extension Services, U.S. Department of Agriculture, Experiment Stations at 16 U.S. universities, and the Social Sciences and Humanities Council of Canada.

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## Resource Books

### **Home-Based Business Mom, a Guide to Time Management and Organizing for Working Women**, by Julie Shulem

The author is a time management consultant and professional organizer. The book, really geared to anyone working from home, addresses organization and stress reduction.

### **Sources of books for specific entrepreneurial start-up:**

#### **Entrepreneur Magazine**

<<http://entrepreneurmag.com>>

**SmartStart** books which are state specific and Adams Publishing has a series of good titles as well.

Source: Small Business Information Hotline, August 9, 1999, Vol. 3, No. 11.

## Sources on the web for small business assistance

Past issues of the *Target Texas Business* newsletter are available in Portable Document Format (PDF), located at: <<http://fcs.tamu.edu/entrepreneurship/tbb/tbbnl.htm>>

#### **Women's Business Center Online**

<[http://onlinewbc.org/docs/expanding/alli\\_form.html](http://onlinewbc.org/docs/expanding/alli_form.html)>

#### **Paul and Sarah Edward's site on home based business topics**

<<http://www.paulandsarah.com/>>