

A New Definition Of Small Business And Success

Local Business Advocate And Advisor Is Trying To Reshape Policy

by Jeremy Nulik

There is a disease in the business world. Every year, this subtle killer wipes out a population of workers the size of Montana, and \$25 billion investor dollars are lost. The collective size of the carnage is equal to that of Coca Cola annually closing its doors. The amount of strained marriages, bankruptcies, foreclosures and failed retirements is almost too much to enumerate.

This disease, which targets new companies with 10 or fewer employees, is called: running out of time.

By using trial and error methods, success takes too long for most startups. Some studies indicate nearly two-thirds of these smaller companies close their doors within 5 years.

"To me, an annual \$25 billion loss is significant, especially since these businesses are losing the wrong kind of money. It is usually their house or retirement plan," says Richard Sacks, owner of the Sacks Group, an accounting firm in St. Charles. "Most businesses are started by people in their 50s, and they are not operating on Plan A. They did not go to college to own a business. They have started a business for personal reasons, and no rational argument will talk them out of it. Year after year, local communities allow these people to start their businesses, only to close in a matter of months."

This outrage over these statistics has energized Sacks. An accountant and business advisor for over 40 years, he recently published a book, "The Twelve Commandments of Small Business," and has created a class, Incubator Plus, which arms entrepreneurs with essential information to run a business.

A New Definition

According to Sacks, this death toll in the small business world is something that has gone on undiagnosed and unchecked. Most of this lack of awareness is due to the size of these companies. They remain under the radar and very little assistance is offered that is tailored to their needs.

To help new startups get the assistance they need, Sacks is calling for the moniker of "micro business." According to Sacks, micro businesses (companies with 10 or fewer employees) make up about 4.5 million of the 6 million businesses in the United States. According to Sacks, since this large majority makes little profit and employs few people, these businesses do not have government programs designed to help them.

"We need to start by defining this micro business idea," says Sacks. "This is how a majority of business gets done, and yet there is very little that government institutions, from the federal all the way down to chambers of commerce, are doing for these businesses."

Policy Matters

As part of an effort to draw more attention to these businesses, Sacks testified before the Missouri Small Business Regulatory Fairness Board. In his testimony, Sacks argued "in a misguided effort to help [micro businesses], the State of Missouri has exempted these businesses from many programs, in effect ignoring this

Startup



Dick Sacks

critical part of our state's economy."

Most of this stems from the definition problem. As it currently stands, micro businesses are in the same category as small business, a business with up

to 100 workers. The federal government defines them as a business with up to 250 workers.

At the hearing, Sacks also argued for another definition revision for the word, "success." Stating that "if a micro business can survive through its first five years, regardless of its income, that business should be considered to be a success."

Also proposed was the organization of a micro business department of a state agency that would offer different solutions for smaller businesses in the areas of employment regulations, health insurance and capital assistance.

"I have worked for Fortune 100 companies in New York City, and I have worked for myself in St. Charles, Mo. I understand that the bigger companies are not how a majority of business gets done," says Sacks. "Some people say, 'I won't sell in the ghetto, because there is no money.' Not true. Millions of dollars are spent in the ghetto. They are just not spent on what you're selling. There has never been a spokesperson to outline needs for this ghetto before. They deserve more than a voice. They need the assistance of a community."

Grassroots Efforts

Much of this community support is another intention with Sacks' Incubator Plus program. The classes and materials are offered at no cost to municipalities and chambers of commerce locally and nationwide.

"The program educates new business owners, so they are without excuse. They can no longer say that they have not heard of tax codes, legal fees or how to organize their businesses," says Sacks. "That way, they become better prepared as members of the community and, in most cases, end up being a more stable company than bigger business competitors."

Once a micro business gets past the five-year mark, their chances of survival greatly increase, and since the owners are people in that community, they usually are more stable than a larger corporation, which can justify closing a branch if profits are not looking good. Communities need to embrace and welcome new micro businesses.

None of Sacks' activities are meant to ensure business success. The only thing that he hopes to achieve is the ability to succeed or fail on one's own merit. Hopefully, with a more educated and careful approach, micro business owners will begin to reverse this trend of disease regardless of how policymakers may define them.