

Widener SBDC Newsletter

“Helping small businesses start, grow, and prosper.”



Revisiting the Face of 'Necessity Entrepreneurship'

By Steve McKee of BusinessWeek

With the unemployment rate steady at 9.7%, not many Americans turn down job offers these days—especially those who have been laid off. Art Wells is an exception. The Portland, Ore., Web developer has left two job offers on the table in the last year. He chose instead to stick with the freelance business he started in late 2008 after being laid off by lighting manufacturer Rejuvenation. Although he starts most weeks not knowing who he will be working for, new clients keep ringing. "Two new jobs called in this morning," Wells said during a 9:30 a.m. interview on a recent Friday.

An unknown number of Americans who lost jobs in the Great Recession responded as Wells did—by creating their own. We profiled 26 such ventures one year ago. Over the past month, we reached out to all of them to find out how they've fared. Of 23 who responded, 15 are still pursuing their original businesses full-time. Five have returned to full-time jobs, some keeping their startup ideas as side ventures. Others took less expected turns: a round-the-world-trip, for instance, or a career shift to teaching yoga.

The rate of so-called "necessity entrepreneurship"—people starting businesses because other income opportunities are gone—increased sharply in the U.S. during the recession, according to the Global Entrepreneurship Monitor, a research

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Small Business Article:



Revisiting the Face of 'Necessity Entrepreneurship'

Explore the successes and failures of laid off employees going it alone in the business world

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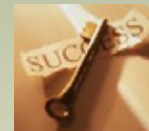
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“A business that makes nothing but money is a poor business.”

---Henry Ford

Necessity Entrepreneurship (continued)

project that tracks entrepreneurship. Necessity was a factor for 24.7% of new U.S. ventures in 2009, according to GEM surveys, up from 16.3% in 2007. For some of these entrepreneurs, getting laid off presented the opportunity to pursue business ideas they had long considered but didn't want to risk leaving a job for. "They really have everything to gain if there are no other good prospects for work," says Donna Kelley, professor of entrepreneurship at Babson College, who has worked on the GEM project. "You start to see a decline in necessity entrepreneurship when there is a healthier economy."

The 42-year-old Wells is a recession success story. Laid off from a position where he was unhappy, he now earns more in his own business, with revenue of \$95,000 in 2009. Even so, he says building his business in a rough economy was not easy. Early on, some months brought in no work.

Many entrepreneurs we interviewed struggled in the last year. Tom Hodge, a 35-year-old toolmaker who worked for 12 years at the General Motors plant in Moraine, Ohio, started his own machine shop after the carmaker left the city at the end of 2008. His customers are manufacturers, and "there's not a lot of manufacturing going on," he says. He's trying to supplement that work with making his own products to sell directly to consumers—custom motorcycle parts, trailer hitch covers, and other accessories.

Since making his first sale in July, Hodge brought in \$26,000 in the second half of 2009. He's still building relationships with customers, and believes his firm is on the path to sustainability. Hodge says he has a bailout plan—a point at which if his business does not seem viable, he'll shut down and look for work. He hopes not to need it. "I'm certainly not profitable yet, but I'm almost to the point where the business can maintain itself and pay the employees," he says. "At some point, I think I'm supposed to get paid."

For some, rebound ventures marketer, spent a year and a half working with a business partner on a Web startup called Koombea. He was glad to return to full-time work in February as vice-president of marketing for Biz360, a company that makes social media-monitoring software. But Kuder doesn't regret his entrepreneurial venture, especially in a period when jobs are hard to come by. "Nobody was getting rich but we were able to pay the bills," he says.

Source: http://www.businessweek.com/smallbiz/content/mar2010/sb2010039_995571.htm

Business Quote of the Month!

"Management works in the system; leadership works on the system."

--- Stephen R. Covey

Small Biz Fast Facts

As of the beginning of 2008, small businesses:

- Make up 99.7% of all employer firms in the US.
- Pay more than 45 percent of total U.S. private payroll.
- Are 52 % home-based and 2 % franchises.
- The average employer with 20 employees pays about \$7, 647 *per employee* in regulatory costs (\$1,304 of this is tax compliance). The average cost per employee for large firms is about \$5,282.
- Have generated 60 to 80 percent of net new jobs annually over the last decade.
- Employ about half of all private sector employees.

Source: Belmont University, <http://forum.belmont.edu/cornwall/archives/007669.html>, 2008

Client Success – Dream Finishers

Dave Dobbins is a fifth-generation carpenter raised on a southern Ohio farm. He was taught the value of working hard and being dependable at an early age, and one of his grandfather's favorite sayings was "One good job may get you two, and one bad job will cost you ten." Dave first started in the contracting business when he was 21 years old, and he has been in the restoration and maintenance business for the past 30 years.



Dream Finishers Contracting Group is a small construction company with extensive experience in renovating historical buildings. They are a hard-working and family-oriented group of men and women who try to give each and every customer a quality product at a fair price. Their mission is to hear your dream and devise a plan to make it come true. They always work in compliance with local and national codes to assure a safe, long-lasting and functional product. Dream Finishers has had many years of service to satisfied customers and they hope to continue to serve the public with high-quality workmanship to fulfill dreams for years to come.

Dave originally came to the Widener Small Business Development Center for the *How to Market to the Government* seminar and was soon utilizing the consulting help of Government Marketing Specialist Bruce Downing. Through extensive market research and much hard work, Dave, along with the help of Bruce, was able to obtain over \$72,000 in government contracts. These contracts were based around renovating buildings in local US Parks. What Dave realized is that there is nothing magical about obtaining government contracts – all that it requires is dedication and some good old-fashioned hard work.

This Month's Happenings at the SBDC...

First Step: Starting Your Own Successful Business

This 3 hour course assists entrepreneurs in starting down the path to successful business ownership. It is offered many different days, times, and locations throughout the year. Attendance at a First Step Seminar is a prerequisite for SBDC clients who are starting a new business.

April 13th in Media, PA (Chamber of Commerce)

April 21st in Norristown, PA (Library)

6:00PM – 9:00PM

Cost - \$25

Please visit our website for the complete list of seminars and programs and to register for a course

@ www.widenersbdc.org.

Business Planning Series – Part I and II

This four part workshop helps entrepreneurs gain the skills needed to develop a business plan. Business Planning: Part I focuses on business concepts & data collection. Business Planning II addresses marketing, pricing and strategies to reach customers.

April 20th and 27th in Media, PA (Chamber of Commerce)

6:00PM – 9:00PM

Cost - \$30 (\$20 for Chamber members)

More SBDC News and Upcoming Events

Government Certifications for Minority and Woman Owned Businesses

This FREE seminar will present specific information on the steps necessary for businesses to apply for federal and state certifications as a minority or woman owned business.

April 14th—Widener SBDC in Chester, PA

6:00 PM — 8:30 PM

Cost – FREE

Quickbooks – The Basics

A practical introduction to the popular Quick Books software. This is a "hands-on" course over two consecutive evenings that will teach the basic business transactions in Quick Books. At the end of the two sessions you should be proficient in the basic functions and reporting features of QuickBooks.

Cost is \$75 for both evening sessions.

April 21 & 22, 2009 from 6:00PM - 9:00PM

Leslie C. Quick Center, 13th and Walnut Streets Widener University, Chester, PA, Room 102.

Upcoming SBDC Seminars:

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