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"Enduring great companies don't exist merely to deliver returns to shareholders. Indeed, in a truly great company, profits and cash flow become like blood and water to a healthy body: They are absolutely essential for life, but they are not the very point of life."

- Jim Collins "Good To Great"

Assisting Technology Start-ups

A cutting-edge technology is just one requirement for commercial success. Technology start-ups are important vehicles for regional growth and economic development. And though launching a business is never easy, technology start-ups face special challenges, says Wayne Harvey, a FastTrac facilitator and Program Director at the Missouri SBIR/STTR Assistance Program in St. Louis.

Market analysis For starters, don't underestimate the role of market research. "Your goal is to determine if your product or service makes sense," Harvey explains. "Does a market need exist, and if so, how big is the opportunity?"

The easiest, although not the cheapest, way to find out is to buy industry reports that are available from any number of market-research companies. Yet with price tags ranging from \$500 to \$5,000 per report, this information can be off limits for many start-ups.

Fortunately, for those willing and able to surf, there's a wealth of data available on the Internet. Industry and trade organizations can provide insight into different markets, and business libraries are another good source. One of Harvey's favorites is

the Hill Research Library (www.hillsearch.org).

Direct research is another option. Entrepreneurs can contact potential users or customers to determine their needs, along with what sort of products or services they're currently using.

"Gauging the size of the market opportunity is important because it will determine how much capital founders need to move forward – and who they turn to for money," Harvey explains. "Venture capitalists, for example, typically aren't going to be interested in a technology unless it has



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a potential to become a billion-dollar market opportunity.”

Raising capital Unlike other entrepreneurs, technology start-ups can't rely on bootstrapping or banks to commercialize their product due to the amount of capital required and a lack of sales and financial track records. While researching potential customers, founders should also investigate financial markets to see who might be interested in their technology.

“You don't want to spend time chasing money in areas that won't pan out,” Harvey says. Investing circles tend to focus on venture capital, but few venture capitalists fund start-ups. What's more, the amount of venture capital going to start-ups has decreased in recent years. In 1995, venture-capital firms invested nearly 17 percent of their total portfolios in seed-stage and start-up companies. Yet by 2004, that portion had dropped to less than 2 percent. Currently, angel investors provide about 80 percent of the capital needed by start-ups. Another funding possibility is a strategic alliance with a larger company.

Whoever the investors are, knowledge is golden. For example,

find out how they like to operate. Make sure everyone is on same page in terms of milestones and exit strategies. Venture capitalists have a short time frame and typically want their money out after 3-5 years whereas corporate partners are more patient. Yet corporate partners can change direction on a dime, and if there's a switch in top management, funding could dry up overnight.

Tip: One funding opportunity that many companies overlook is the Small Business Innovation Research (SBIR) program and its sister entity, the Small Business Technology Transfer (STTR). These are federal grants and contracts rather than loans, so there's no interest to pay. Nor do founders have to give up equity. More good news: winning a SBIR or STTR grant helps validate a start-up's technology and increases its visibility with potential investors.

“The key issue is whether your technology can function within the timeline of the SBIR program,” Harvey says. It usually takes six to nine months for applicants to hear anything and often longer to get the money.

Corporate structure Technology start-ups typically form as either limited liability companies (LLCs) or C-corporations – both of which

contrast sharply to a sole proprietorship.

For example, C-corporations must maintain detailed records and comply with Securities and Exchange Commission reporting requirements, such as holding annual meetings with shareholders. In contrast, LLCs are easier to form and have less red tape. But for start-ups that need investors with deep pockets, there's a drawback: venture capitalists won't invest in LLCs due to tax reasons resulting from the “pass through” nature of the structure, Harvey says.

Seek business savvy It's wise to find someone early on to handle business development. “Even if a founder is interested in the business side, it's rare for a scientist/researcher to make the transition and become a super business person,” Harvey says. “That doesn't mean technical gurus can't learn about business, but it's best to get someone who has spent 10 or more years in the industry you're targeting.”

Where to find such talent? One solution may be partnering with a recently retired corporate executive who wants to remain active. “Attorneys and accountants often can lead you to people with the business acumen you need,” Harvey adds.

Source: Missouri SBIR/STTR Assistance Program

SBIR Three-Phase Program: Following submission of proposals, agencies make SBIR awards based on small business qualification, degree of innovation, technical merit, and future market potential. Small businesses that receive awards then begin a three-phase program.

Phase I is the startup phase. Awards of up to \$100,000 for approximately 6 months support exploration of the technical merit or feasibility of an idea or technology.

Phase II awards of up to \$750,000, for as many as 2 years, expand Phase I results. During this time, the R&D work is performed and the developer evaluates commercialization potential. Only Phase I award winners are considered for Phase II.

Phase III is the period during which Phase II innovation moves from the laboratory into the marketplace. No SBIR funds support this phase. The small business must find funding in the private sector or other non-SBIR federal agency funding.

Source: U.S. Small Business Administration

Tips On Obtaining Federal Government Business

Firms must meet core requirements for doing business with the federal government. At a minimum, firms must possess a Federal Employee Identification Number (FEIN). Then, a DUNS number must be received from Dun & Bradstreet which will permanently identify the firm for registration into Central Contractor Registration (CCR). CCR is a federal government requirement and must be entered into before a firm can be eligible to compete for federal government contracts. Once a firm has registered with CCR, a Commercial and Government Entity (CAGE) code will be issued. The process to attain all these numbers and registrations is not difficult, only sometimes timely and requiring knowledge of certain terms relevant to government contracting.

Once a firm has completed necessary registrations and requirements for doing business with the federal government, it must then establish a marketing program for penetrating into the government arena. This must be done by first asking, "Who buys from us?" A firm should pursue business with agencies that regularly procure its line of product or service. There are plenty of buying activities to market to. The federal government purchases just about everything at one time or another. However, issues such as how often and when does the government buy must be taken into consideration. One agency may purchase a particular commodity once a year while another agency may purchase it every week or month. Thus, the timing and regularity of purchases

becomes very important. A company's time is valuable and needs to be spent maximizing its usefulness, pursuing realistic opportunities.

To know which agencies buy from a particular company, a firm must know its Federal Supply Group codes and service codes. The federal government categorizes purchasing opportunities by various alpha numeric categories. Service codes are organized alphabetically from A to Z. "A" stands for research and development and "Z" stands for maintenance, repair, and alteration of real property. All other service codes fall somewhere in between. The same is true for commodities, represented by Federal Supply Groups (FSG). FSG 10 is for weapons and FSG 99 stands for miscellaneous items. Other commodities fall somewhere between 10 and 99.

It is important for a firm to understand these codes because it is the only way for the firm to know what types of categories of marketing opportunities are being purchased on a regular basis by certain agencies. If a compressor firm notices a particular agency purchasing commodities regularly under FSG 43, Pumps and Compressors, then that firm will want to focus much of its marketing attention on that agency. If, on the other hand, the compressor firm notices little activity under FSG 43, it may want to refocus its efforts towards a different buyer.

Once this has been determined, opportunities may be found on

various web sites, including www.fedbizopps.gov. This is the official web site for the posting of federal government marketing opportunities anticipated to be in excess of \$25,000. Firms can also acquire directories that can be given to marketing staff to make important contacts with buyers at agencies. Directories are available for both contacts with government agencies directly and government prime contractors, such as Boeing or Lockheed Martin.

Another way that a firm may differentiate itself is becoming a vendor on GSA Schedule. Some buyers will only purchase off of the GSA schedule. GSA, or the General Services Administration, is a federal government agency that provides an alternative purchasing mechanism for federal government agencies. GSA uses what they refer to as Federal Supply Schedules (FSS). FSS are standing solicitations, meaning they do not have a close or due date. FSS are typically five year contracts, with varying option years. FSS are multiple award contracts, meaning many vendors can have the same contract. They are indefinite delivery/indefinite quantity (ID/IQ) contracts, meaning that winning a FSS does not guarantee work orders. However, it does grant the firm a "license" to market as an approved vendor to the federal government. Such a "license" is often referred to as receiving a GSA

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Entrepreneurship Stimulates Economy

It doesn't take a crystal ball to predict that both the opportunities and the pressures created by today's global economy will continue into the next year and beyond. The economic landscape shifts dramatically nearly every month as a result of changes in the workforce, access to capital and the availability of new information.

In the midst of this, entrepreneurship has emerged as a powerful engine for economic growth. Entrepreneurship itself is nothing new, but the emphasis it is now receiving certainly is. The reason for this intense interest has to do with the growing awareness of the long-term regional employment growth created by entrepreneurship.

These businesses not only create new local jobs but also generate new growth and wealth in their communities. Entrepreneurs use regional assets to build their companies, and they are critical to bringing new ideas and innovation to the marketplace. They are largely responsible for the quality of life we all enjoy.

Entrepreneurs are educated risk-takers who reap the rewards of an innovative venture. But unlike corporate CEOs or plant managers, entrepreneurs also bear the consequences if their ventures fail. They are managerial decision-makers who marshal the resources to create success for their company.

Entrepreneurs enter self-employment for many reasons. They may want to fulfill a dream or create

a lifestyle for themselves and their families. They may have a winning idea that will benefit other businesses or society as a whole. These entrepreneurs enhance the mix of businesses in their communities.

Other entrepreneurs are more aggressive in creating wealth, income and jobs. Some create ventures only to sell them and start others. Such serial entrepreneurs consistently seek new ways to create high value and economic growth.

Those who study entrepreneurship are constantly seeking ways to measure its impact on a region. According to the Federal Reserve Bank of Kansas City, a region that is rich in entrepreneurial breadth contains many kinds of entrepreneurs and a high percentage of entrepreneurs in the population. Breadth is often larger in rural regions than in metropolitan areas.

Equally important, however, is the depth of entrepreneurship in a region, which is determined by gauging the value created by entrepreneurs. Regions with a greater depth of entrepreneurship have self-employed workers with higher average income.

Twenty-five years ago, in his book *The Job Creation Process*, author David Birch showed that small businesses create the majority of jobs in our economy. In the past several years, the *Global Entrepreneurship Monitor*, an annual worldwide study conducted by Babson College, has consistently demonstrated the strong

correlation between the level of entrepreneurial activity in a country and the country's economic growth. In addition, research by The National Commission on Entrepreneurship concludes that small entrepreneurial ventures have been responsible for 67 percent of inventions and 95 percent of "radial innovations" since World War II. The commission also notes that in many parts of the country, small businesses are contributing new jobs at the same time big businesses are cutting back unemployment. At any given time, approximately 10 million Americans are engaged in business start-up.

In spite of such convincing proof, the majority of resources in economic development programs are still directed toward more traditional economic development strategies, including attraction and incentives. Landing a large distribution center or plant creates many jobs, seemingly overnight.

Along with that comes the requisite media coverage and applause for local officials and policy makers. But the research shows that as easily as those plants are attracted to a region, they can be attracted to some other place with better incentives. They have little loyalty to the community. As soon as the grass looks greener in another state, those jobs created will move to the jobs-lost column, also seemingly overnight.

Entrepreneurs are committed to their communities. They choose their locations for reasons other than

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incentives. They choose to add to the quality of life, to stay near family or friends, to raise their children in a certain environment, to be near other community resources, such as schools or athletics, and to create opportunities for others in their communities. The entrepreneurs sponsor the little league teams, contribute to local charities and take pride in their homegrown businesses. But entrepreneurs cannot operate in a vacuum. We should support them in every way possible.

That support can take many forms, but communities that truly support entrepreneurship generally possess the following qualities:

Openness to entrepreneurship

This means more than being delighted with the opening of a new store. It means embracing entrepreneurship as an economic development strategy with the belief that the entrepreneurs in your community can create a new generation of successful businesses that create jobs, investments and wealth.

A balance with business

attraction The traditional economic development strategy has been a search for industry to locate in our communities. But truly supporting entrepreneurship means a willingness to broaden the economic development strategy beyond plant attraction.

Programs for entrepreneurs

Community resources should include a networking infrastructure, mentoring programs, business financing services, entrepreneurial training programs, business counseling and youth entrepreneurship education programs.

Willing investors

Entrepreneurs need not only banks and other lending agencies to support their ventures but also individuals and community leaders to lend resources to the effort, either through direct funding or provision of necessary resources to support entrepreneurial growth.

Leadership Communities need a team of individuals willing to provide leadership to this particular economic development strategy by advocating for entrepreneurs and educating community groups, business and corporate leaders and educational institutions about the importance of small business development.

Willingness to collaborate

Sometimes the necessary expertise resides within another city's limits. Communities must be willing to reach out for assistance, best practices and critical resources to build their own entrepreneurship infrastructure.

Legislative support

State funding for local technical assistance programs is critically important. Matching funds for federal research and development grants can bring university research to commercialization.

*Written by **Mary Paulsell**
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number, contract, or being placed on the GSA list.

Thus, GSA schedules serve as a pre-approved vendor's list for doing business with the federal government. This is similar to a state government oriented prequalification program, only on a much broader and larger scale. Firms must meet minimum qualifications in order to be considered eligible for being a GSA schedule holder. If they meet these qualifications and become approved,

then federal buyers can be confident that they are purchasing products or services from reputable businesses with proven track records of performance. Federal buyers often prefer this method of purchasing because it helps streamline searching for qualified vendors. Administrative procedures are avoided for buyers as well, as purchasing from a pre-approved GSA schedule holder minimizes the need for full and open competitive procurement procedures. Thus, in many instances, it can be very advantageous and, at

times, the only way for a firm to either engage in or eliminate federal government competition.

While getting on GSA schedule can be very important, it is by no means the only thing needed to properly market to the government and secure government contracts. It can be an initial first step in government marketing penetration. But, what type of business a firm is in and what level of government it is best suited to market to are the first questions that need to be addressed.

Small Business Training



Starting a Small Business: The First Steps

Overview of the critical first steps associated with starting a business.

Three-hour workshop.

St. Charles

Apr 10, May 8, Jun 12;
5:30 - 9 p.m.
Call: 636-928-7714

St. Louis

Apr 11, May 9, Jun 6;
1 - 4 p.m.
Call: 314-241-1511

Introduction to QuickBooks

St. Charles

Apr 24 and 25;
Jun 12 and 13;
Aug 7 and 8

Intermediate QuickBooks

St. Charles

May 22 and 23

St. Charles County Extension

Call: Carol Grote 636-970-3000

Writing a Business Plan

This program is designed for current and future business owners to teach the key components of a business plan. It will also provide guidelines for style and appearance to help create a more professional look for your business plan. *Three-hour workshop.*

St. Louis

Apr 25, May 23, Jun 20;
1 - 4 p.m.
Call: 314-241-1511

FastTrac® NewVenture for Dislocated Workers

Participants will develop a feasibility plan for starting a business. *Five-day course.*

St. Louis

Apr 10, 11, 12, 17, 18
St. Charles EDC
Jun 19, 20, 21, 26, 27

St. Charles County Extension

Call: Lynette Watson 636-970-3000

Government Marketing Fundamentals

Learn about the services of the PTAC and the proper direction to turn in pursuing government contracts.

Three-hour workshop.

St. Louis

Apr 12, 26, May 9, 21, Jun 14, 27;
9 a.m. - noon
Call: 314-621-7280

SBIR Grant Writing Workshop

The workshop covers SBIR program background and qualifications, agency selection criteria, proposal preparation and evaluation, quality control, key competitive advantages, commercialization, cost proposal budgets, and electronic submission. *Eight-hour workshop.*

St. Louis

Call: 314-812-8085



Call the phone number listed for registration information or register at <http://missouribusiness.net>

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Small Business Assistance

For business counseling, training opportunities or more information contact a Specialist with the Small Business Development Center or University of Missouri Extension.

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Internet Resources

Missouri Business Development Program
<http://missouribusiness.net>

University of Missouri Extension – St. Charles at
<http://extension.missouri.edu/stcharles/business.shtml>

University of Missouri Extension – St. Louis at
<http://extension.missouri.edu/stlouis/biz.shtml>

Small Business Development Centers at <http://missouribusiness.net/sbdc>



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In 1980, Congress created the Small Business Development Centers (SBDC) in cooperation with the U.S. Small Business Administration to stimulate economic growth and to provide management assistance. Missouri SBDC provide assistance to clients according to SBA-defined standards for the size of small businesses. The SBDC is a part of University of Missouri Extension.

University of Missouri's Business Development Program in the St. Charles/St. Louis region includes two UM Extension Specialists and five SBDC Business Counselors. It is the local link between the resources of the four UM campuses and people throughout the state. Counselors and specialists use their expertise to help start-ups and existing businesses in business planning, management, marketing and finance. There is no fee for individual counseling.