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Startup^{NATION}
where small business is big business

It's our goal to make StartupNation® the most resource-rich small business community in the world - a community built on courage, passion and the spirit of independence.

Rich & Jeff Sloan

SMALL BUSINESS BLAST | STARTUP SPOTLIGHT | OUR VIEW ON THE NEWS | NEWSLETTER ARCHIVES

PRINTER FRIENDLY VERSION

WORD ON THE STREET!

A few weeks ago, we were approached by "Brian," an entrepreneur who started a company with a combination of funds from his personal savings account and credit cards. He was looking for a venture capital investment, but part way into his pitch, it was clear he was heading down the wrong path.

As in Brian's case, it's no mystery that funding is front and center in the minds of entrepreneurs. But what we've noticed is that people often go after the wrong type of funding for their kind of business. This can lead to a shift of control that's out of your hands, feuds between you and your financiers, a waste of one of your most precious resources - time, and other nasty consequences.

With this in mind, we thought you might want to consider applying the "Goldilocks Principle" to your funding quest...choosing the type that's just right. To help you, we've highlighted various kinds of funding that might fit your business.

DEBT FINANCING

The vast majority of new small businesses are funded with debt financing via financial institutions. If you pass muster, banks can provide you with a loan or line of credit that comes with a repayment schedule and an interest rate. They will look carefully at your company's cash flow, collateral and the liquidity of your assets. You've got to have a sensible, written business plan, and you must know your financial situation inside and out. Note this tip from Tom Doherty, Standard Federal Bank's Senior VP in Charge of Small Business Lending and a recent guest on StartupNation® Radio: "You'll significantly increase your odds of success if you establish a relationship with your banker prior to your loan request."

upside

- Don't have to give up equity
- Available to companies that can't get equity funding

- Must pay interest
- Limited networking or "business savvy" value
- May require personal collateral such as home

downside

GRANTS

Especially if you're in the technology game, consider securing a grant through the Small Business Administration's Small Business Innovation Research (SBIR) Program. Also, by working together with a government agency in a Cooperative Research and Development Agreement (CRADA), you can optimize resources and cost-effectively perform research (thus requiring less funding). These programs are designed to

"My thanks to you! StartupNation® is spreading the word and helping to educate folks to do the right thing with respect to their innovations and we appreciate that."

- Nicholas P. Godici
Commissioner for Patents
U.S. Patent & Trademark Office

StartupNation™ Coach's Corner

Whether you're a star quarterback or a startup business headed for meteoric success, your game always improves with solid coaching from the sidelines.

Here's a little peek into the Coach's playbook:

"I took my business this far. I'm the only one who can take it the rest of the way."

Ring a bell?

If so, you might be dealing with one of the hardest lessons for self-made business owners: Knowing when to **delegate**. The fact is, to meet the demands of a growing business, you'll likely have to transition from "doing" to "managing." Scary as this may sound, as the volume of work increases, it's often the only way to keep pace.

Here's what we recommend:

Commit to giving your team members the endorsement and the opportunity that comes with **responsibility**. Start by defining goals and expectations. Then delegate tasks clearly. When your people take ownership of the

help fuel the innovative fires at small businesses. Having been on the receiving end of these grants, here's our bottom line. Billions of dollars of "free money" should not be overlooked.

upside	
<ul style="list-style-type: none"> - Free money - Investors love the "leverage" that grants provide 	<ul style="list-style-type: none"> - Highly competitive - How you use the funds is strictly defined
	downside

EQUITY FINANCING

While debt funding is most common, there are still tens of thousands of companies funded each year by private or "institutional" investors in exchange for equity (ownership). They range from the less sophisticated "friends and family" type, to high net-worth private investors known as "angels," all the way up to the sophisticated professional investors called venture capitalists.

Friends & Family

When you can't get debt financing, consider asking your rich Aunt Harriet for a little help. As a jolt of startup funding for many a family-run business, money from friends and family typically comes in small amounts without a lot of hassle or legal expense, but be careful. Always stay professional and go heavy on communication. Depending upon your priorities, realize that business has risks, and preserving your relationships with friends and family is at least as important as your business opportunity.

Comfort zone: generally less than \$50,000.

upside	
<ul style="list-style-type: none"> - Convenient, no nonsense - Fewest contractual strings attached - Available quickly 	<ul style="list-style-type: none"> - Limited one-time source of funding - Be ready for an ugly Thanksgiving dinner at your in-laws if you lose their money
	downside

Angel Investors

Do you believe in angels? We do. With approximately 250,000 high net-worth private investors in the U.S. who fund over 30,000 small companies each year, you might be seeing wings yourself. "Angels" have earned their name by typically being friendly and patient about their investments and by providing their business wisdom and valuable relationships along with their money. They often like to invest in groups, each taking a piece of the deal.

Comfort zone: \$25,000 to \$1 million.

upside	
<ul style="list-style-type: none"> - More than money, they invest smarts and networking - Relatively patient about their investments 	<ul style="list-style-type: none"> - Often difficult to find - Can be hard to manage the divergent interests of a large group of angels
	downside

Venture Capitalists

If you are beyond the startup phase, have initial revenues coming in, a quality team in place, and a clear path to eventually sell the business or go public in an IPO, you could be ready to approach the funding pros - venture capitalists. But because they funded the dot-com and biotech bubbles and were badly burned, VC's now have higher standards than

project—if they're any good—the results should be tremendous. Just make sure you're there to help them get the job done.

Remember what Casey Stengel once said: "Managing is getting paid for home runs someone else hits."

Curious about Business Coaching? You're not alone!

Every week Jeff, Rich and the StartupNation Coaching staff provide invaluable telephone-based support and strategy to people who want to launch their own business or grow an existing one.

Sign up here and we'll email you more information about this game-changing service.

Your Email

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When starting a business it's almost a sure thing that there will be twists, turns and bumps along the way. Read on to learn how to recruit great people to your business to help you overcome the inevitable challenges you will encounter.

Recruiting Great People:

1. Recruit only "superstars." With great people in each position, your odds of success go way up.
2. Make a target list of the "12 Most Valuable Superstars" you would like to recruit and continuously work those relationships.
3. Walk through your business plan with candidates, but be sure to appeal to their goals, rather than just asking them to meet yours.
4. Every person in your business should develop (and share) their own list of 12 superstars that they would like added to see the team.
5. If you're cash-strapped, hire "potential". Superstar people learn like lightning and can quickly make up for limited experience.

ever. Still, they remain a serious player in the investing world. Keep in mind that their funding is very time-sensitive. VC's look to get their money and profits out as quickly as possible. They are a great source if you're planning for meteoric growth and will require further funding in the future to achieve it.

Comfort zone: \$250,000 to \$10's of millions.

upside	
<ul style="list-style-type: none"> - Invest smarts and networking in addition to money - Typically have more money if you need more to grow 	<ul style="list-style-type: none"> - Must be a "fast growth" company - Must be interested in selling the business or doing an IPO in 3-5 years - Must be prepared to share control
	downside

Strategic Investors

If you need to get to market quickly or perhaps short-circuit the "no name, no credibility" game, strategic investors can help. These equity financiers get their name because they come from within the industry you are targeting and find what you're selling to be "strategic" for their business objectives (such as somehow complementing or enabling the products or services they sell). But beware! They can swamp your business with opportunity, seduce you into reallocating your company's resources in a lopsided way, restrict you from dealing with their competitors as your customers, and even cancel their business relationship with you on a whim! Be sure you know what you're getting yourself into. Did someone say "lawyer"?

upside	
<ul style="list-style-type: none"> - Enhances your credibility in the industry - Money can come with access to "bennies" like manufacturing, distribution, marketing, etc. 	<ul style="list-style-type: none"> - Can force you to recalibrate your entire business to serve them - Dependency can be risky - Can prohibit you from selling to their competitors
	downside

CHOOSE WISELY

Just like Goldilocks, you'll have to make a choice. Some funding types will be too complicated and some too risky. Others will offer too little or too much. But if you do your homework and ask for the right amount from the right source at the right time, you will find the funding that's "just right" and be well on your way to business success!



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SEND 
TO A
FRIEND!

If you know someone who's considering starting up or growing a business and might benefit from a little in-the-trenches insight, type in their email address. We'll send them this newsletter and future ones too.

STARTUP SPOTLIGHT

Want to get inspired?

There's an endless array of business ideas just waiting to be thought up and pursued! Check out one that's already on its way .

Your Name

Your Friend's Email

SEND IT!

Company Name: HANG

Founder: Shanna McBurney

Employees: 17

Business Angle: think "buying fine art" meets "fun and easy".

Motto: Emerging artists for emerging collectors

Stage: 3 stores open in San Francisco Bay Area, webified our database and galleries to allow further expansion, and perfecting customer's experience.



When and why did you start up?: May, 1998. Fulfilling a long-term dream; personally frustrated with lack of convenient way to buy art by emerging artists. Art should be fun.

How did you get funding?: Worked with one angel investor; built up one successful store and rolled out model from there.

Definition of success: The many, many HANG customers who are so inspired by the concept that they seem more committed to HANG than I am. Also the artists who can now finally quit their jobs and rely on the sale of their art as their sole source of income.

Companies you admire: Home Chef for their brilliant customer loyalty marketing, a local restaurant called Plutos that is passionately committed to quality at value prices, and every small retail business where you can feel the founder's vision the minute you walk in.

Advice to other startups: Don't feel bound by the rules of "the way it's done". Be open to opportunity, be spontaneous, trust your instincts.

Future plans: Bring the great art and people of HANG to cities across the U.S.

What's the movie of your life going to be called?: A remake of "Ground Hog's Day"

Where can people find out more?: www.hangart.com

KNOW OF A COOL YOUNG COMPANY?

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We comb the nation for the latest news affecting your small business. Get our take on what's what in...



The President Agrees: Small Businesses Will Lead the Economic Recovery

The numbers are in. New studies indicate the size of the small business market, and it's HUGE. The Census Bureau reports that approximately 57,000,000 people are employed by America's 23 million small businesses, and according to the Kauffman Foundation, 10.1 million adults in the U.S. are seeking to start up a new business at any one time. That's equivalent to the annual U.S. statistics for people having a baby or getting married!

Yet, for whatever reason, over the past half century our society has turned more and more of its attention to "Big Business" as the most influential driver of our economy.

Hello?

The next time you ponder the future of the U.S., consider this. According to the U.S. Small Business Administration, half of the country's economic output, the vast majority of future innovation, and fully 70% of new jobs will come from America's small businesses. That's right, from "Main Street" not "Wall Street".

Don't be mistaken. We're the first to give big companies their due respect. After all, at one time, each of these "giants" was a small business startup. In fact, maybe that's just it. If people stop and think for a minute, they might realize that among the small businesses of today are the Microsofts and Fords of tomorrow, and perhaps the small business community will start getting a little more of the recognition it deserves.

Fortunately, this message is now being promoted from some pretty high places. Consider President Bush's recent radio address on January 18th, which focused on small business. Among other things he stated that, "America's economy can thrive only when our small businesses thrive," and he reaffirmed this in his State of the Union on January 28th.

The President's recent emphasis on the importance of small business in America's economy is not to be overlooked. It just further substantiates what we here at StartupNation® already believe - the fact that as a small business owner, you will lead this country's economic future.

The bottom line is that if you really want to know what is in store for the future of the economy, if you really need to get a sense of where technology will be taking us, and if a little infusion of moral support would help you start or grow your own business, just check out the facts.

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What Interests You?

As we see it, if you are a success, we are a success!
In order to ensure that we're keeping you razor sharp in your small business endeavors, we need to know what's important and of interest to you.

So share your questions and comments below and we'll make sure to address them in the near future.

I am: (check appropriate items)

- Interested in starting up my own business
- An owner of a small business (less than 500 people)
- In management at a small business
- An employee at a small business
- A New Startup

My company's industry (or niche) is:

Questions, comments and/or things I want to know more about:

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