



HELPING ENTREPRENEURS AND BUSINESSES GROW AND SUCCEED

A joint program of the Labovitz School of Business and Economics, Natural Resources Research Institute, and Swenson College of Science and Engineering.

GOOD READING

KAUFFMAN FOUNDATION Analysis Emphasizes Importance of Young Businesses to Job Creation in the U.S.

**U.S. Census data showing
new and young firms as the
primary source of new jobs
comes at a critical time for
policymakers.**

The Ewing Marion Kauffman Foundation today released a study showing that newly created and young companies are the primary drivers of job creation in the United States. Though perhaps showing some improvement, the Bureau of Labor Statistics update on U.S. employment shows a dismal picture for American workers. Kauffman's analysis of U.S. Census Bureau data showing that companies less than five years old created nearly two-thirds of net new jobs in 2007 could not be timelier.

"Job creation is the number one issue facing families and policymakers during this economic recession, and this study shows that new businesses and entrepreneurs are the key factor in adding new jobs," said Carl Schramm, president and CEO of the Kauffman Foundation.

HOW TO SURVIVE THE RECESSION

"It's ugly out there," says Paul Strelbel, a CPA and Cornell University lecturer. And true enough, few companies are escaping the recession without at least a few bumps and bruises. Their clients and customers, after all, are keeping a very tight grip on their purse strings.

A recent poll from Associated Press/GFK found that the share of people using their credit cards has dropped from 25 percent in 2008 to 19 percent in 2009. The national savings rate jumped to nearly 7 percent in May, the highest since December 1993.

"There's been no real safety net for anyone, big or small. Everybody is fighting this battle," says Stan Friedman, president of RetroTax, which specializes in tax credit identification and administration.

1. Assess liquidity

"Try to squeeze as much cash as possible from the balance sheet. Avoid defaulting on credit. Operate as efficiently as you can," says Bob Stegmann, managing partner of Chicago executive services firm, Tatum.

2. Reinvigorate the finance function

"Some companies are driven by sales or engineering functions, or entering new markets which can be risky if you're placing your bets and waiting for new markets to materialize. Finance must be at the table when these strategies are taking place. Financial discipline has to be a part of the decisionmaking," Stegmann explains.

3. Show discipline

"I typically recommend companies strive to balance their long-term focus with short-term discipline through a variety of strategic and tactical actions in areas like staffing, production, product offering, etc. Maintaining that long-term focus is important to prepare for future growth, but the lack of visibility the economy offers today means that companies simply cannot afford to be reckless with cash flow at the present," says Chris Montague, office managing partner at Plante & Moran in Chicago. "In the near term, managing cash flow is essential to remain operationally sound."

Kauffman Foundation (cont.)

"If the U.S. economy is going to have a sustained recovery, it will be up to entrepreneurs to lead the way."

The distinction of firm age, not necessarily size, as the driver of job creation has many implications, particularly for policymakers who are focusing on small business as the answer to a dire employment situation. This report shows that most net job creation is generated by firms that are one to five years old. These firms create more net new jobs than their older counterparts, as well as a higher average number of jobs per firm. In some cases, these young firms grow into large companies employing thousands of people. Importantly, these companies could still fail at some point or be acquired by older and larger companies; or they could stop growing and remain the same size indefinitely. Some of these firms, meanwhile, continue to generate positive rates of net job creation at older ages.

"During our study of Census data, we continually find that new and young firms drive economic growth and job creation," said Dane Stangler, senior analyst at the Kauffman Foundation and one of the study's authors. "Within this group of companies, moreover, there is a substantial set of rapidly growing businesses that account for a disproportionate share of net job creation."

To read more:

http://www.ces.census.gov/index.php/bds/bds_home.

How to Survive the Recession (cont.)

4. Evaluate value to customers

Companies should re-evaluate how they align with customers, and be tactical about customer service. "Identify the challenges facing customers and determine what specific value you can provide to help these customers manage their issues," says Montague.

5. Identify core competencies

Identify what qualities differentiate your company from others in the industry. "If you can't pinpoint your competencies and differentiation, you need to establish some or align with another company that can," says Montague. "It's a great market for companies that are in a position to grow their scale, reach and capabilities through partnerships or mergers and acquisitions. The downturn has made this a buyer's market for companies that can afford to be buyers."

6. Don't cut the payroll too deeply

There can be significant consequences. "It could leave surviving employees overworked, making it more likely that they will jump ship at the first sign of job market recovery. Companies could be forced to scramble to recruit and train a large number of workers when the recovery begins," says John Challenger of outplacement firm Challenger, Gray & Christmas in Chicago.

7. Recruit the best and brightest

While hiring might seem to be going against the grain, Challenger points out that the labor pool is currently flush with talent. Grab the opportunity to recruit some of the highly skilled job seekers that are in the market right now, he says, adding that, "You may be able to bring them in below the premium they might demand in a tighter labor market."

8. Dig deep for ways to make money

"We show companies that if they are in a Federal empowerment zone or send their people to work in a Federal empowerment zone, this can generate a tax credit of as much as \$3,000 a year per employee," says Friedman. "You don't have to be physically located in the empowerment zone. Say your business is in the suburbs but the work or job site is in the zone, that qualifies," he explains.

There are also demographic credits. If a new hire fits into any of 12 particular categories, including two new ones introduced as part of the American Reinvestment and Recovery Act of 2009—certain Disconnected Youth employees and Unemployed Veterans—you could earn a tax credit of \$2,400 per qualified hire, says Friedman. "The total credit can become significant very quickly if you have several employees who meet certain criteria."

STUDENT TO BUSINESS INITIATIVE (SBI) PROGRAM

is accepting applications for Spring semester

Is your target market other businesses? Do you need a marketing plan? UMD CED is now accepting applications from businesses who would like to participate in the Spring Semester Business to Business Marketing SBI Program.

UMD Center for Economic Development collaborates with Labovitz School of Business and Economics (LSBE) for the Student to Business Initiative (SBI) Program. The SBI Program partner's student teams with businesses to develop a marketing plan. Through this initiative, students gain valuable experience while businesses receive another viewpoint into their business

SBI Initiative (cont.)

marketing that can give new insight and direction.

For more information about the SBI Program or to apply for your business to participate, visit:

www.umdced.com/programs/studentbusiness.html. **The deadline for applications is Wednesday, December 30, 2009.**



MICROSOFT DYNAMICS GP YEAR END SEMINAR

Monday, December 14, 2009

1:00 pm – 4:00 pm

Cost: \$40.00

Join Microsoft Certified consultant, Sue Coady, to learn how to ensure a smooth year end closing for your Microsoft Dynamics GP (Great Plains) system. This seminar is great for new Dynamics GP users who have never closed the books before and for those who would like a review of this yearly process. Companies running Microsoft Dynamics GP payroll are strongly encouraged to attend. Attendees will receive a Year-End Procedures Manual that includes both detailed and summary checklists for each of the Microsoft Dynamics GP modules (General Ledger, Receivables Management, Payables Management Inventory and Payroll).

To register: www.umdced.com/workshops

THE WEEK AHEAD

BUSINESS Workshops

<u>Tax Saving and Recordkeeping Tips for Your Small Business</u>	12/16/2009 (9:00am-12:00pm)	\$25.00
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Information-packed workshop covers recordkeeping and tips on what to track throughout the year to be organized making tax time smoother.

<u>Writing a Business Plan</u>	12/16/2009 (2:00pm-4:00pm)	\$25.00
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Don't know how or where to begin writing a business plan? This workshop covers the components needed to write an effective business plan.

COMPUTER Workshops

<u>InDesign I - Basics of Desktop Publishing</u>	12/15/2009 (9:00am-12:00pm)	\$60.00
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Design and produce professional page layouts. Adobe® InDesign® CS3 software delivers powerful new features that allow you to explore more creative possibilities, experience greater productivity, and streamline repetitive tasks.

<u>InDesign II - Beyond the Basics of Desktop Publishing</u>	12/15/2009 (1:00pm-4:00pm)	\$60.00
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This workshop builds on the skills learned in InDesign. InDesign II covers layers, how they are used, and how to create different ones in the program. It also covers using tables in the document along with creating a Table of Contents automatically using defined text styles. There will also be discussion about different publishing decisions for the document.

Excel I - Basics of Spreadsheets

12/16/2009 \$60.00
(9:00am-12:00pm)

Create data-rich, professional-looking spreadsheets. Covers the very basics of spreadsheets, from creating and saving to editing and formatting. Create easy-to-understand charts. **As of 12/8/09, 1 seat available**

Excel II - Beyond the Basics of Spreadsheets

12/16/2009 \$60.00
(1:00pm-4:00pm)

Use comments, create conditional formatting, work with IF statements, link workbooks, insert headers & footers, sort lists, do more with charts, and create mailing lists. **As of 12/8/09, 2 seats available**

Dreamweaver - Web Page Design I

12/17/2009 \$60.00
(9:00am-12:00pm)

Create your own web page using Macromedia Dreamweaver MX. This workshop covers Web development application, including the Dreamweaver environment, managing HTML code, working with links, creating a basic web page and defining a site. Bring your information and ideas for your web page to the workshop.

Dreamweaver - Web Page Design II

12/17/2009 \$60.00
(1:00pm-4:00pm)

(Prerequisite: Web Page Design I) Explore the next steps in Macromedia Dreamweaver MX to work with images, tables and text, with an emphasis on page layout and design techniques using tables.



Check out our Facebook page for business tips, upcoming events, workshops, and new information from the Small Business Administration, State of Minnesota and the Internal Revenue Service.

The University of Minnesota Duluth Center for Economic Development offers numerous workshops to help entrepreneurs and employees operate more efficiently. **All workshops are held at the Duluth Technology Village, 11 E. Superior Street, Suite 210, unless otherwise noted.** To register call: 218-726-7298, 888-387-4594 or register online: www.umdced.com/workshops.

The mission of the University of Minnesota Duluth Center for Economic Development is to assist entrepreneurs and businesses to grow and succeed.

Funded in part through a cooperative agreement with the U.S. Small Business Administration, Minnesota Department of Employment and Economic Development and sponsoring centers. Reasonable accommodations for persons with disabilities will be made if requested at least two weeks in advance. For arrangements, contact: UMD Center for Economic Development, 11 E. Superior Street, Suite 210, 218-726-7298

1986 – 2009 Celebrating 23 years of excellence and also recognizing UMD's 25 year partnership with the Minnesota Small Business Development Centers

The University of Minnesota shall provide equal access to and opportunity in its programs, facilities, and employment without regard to race, color, creed, religion, national origin, gender, age, marital status, disability, public assistance status, veteran status, sexual orientation, gender identity, or gender expression.

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