

A Potpourri of Encounters and Impressions

THE MONEY TRAP

REAL PEOPLE.

REAL MONEY.

REAL MISTAKES.

FOREWARNED IS FOREARMED

For some people it's a dream, for others it's a last resort. Every year thousands of people open small businesses, but according to the US Bureau of Labor Statistics, while 80 percent of businesses survive their first year, only half of them will still have their doors open five years later.

Ten years down the line, the survival rate drops to just 30 percent.

What separates the success stories from the failures? What can be done to increase your chances of success? And would you be crazy to try if you're 40 or older?

Mind Your Own Business

[THE PLAYERS]

Name: Rachel and David Cohen
Age: Late 40s
Number of children: 5
Residence: Brooklyn, NY

[THE CRISIS]

In the United States it's called a "pink slip." In Germany, it's a letter, and it's blue. But no matter the colorful language used to describe an employee's termination notice, no one likes to find out they've just been laid off. If you're over 40, when the challenge of finding a new job is that much greater, it's reason to panic.

Or maybe you haven't lost your job but you're beginning to worry because you have a few children in the "parshah" and the thought of paying for all the wedding-related expenses is causing you to toss and turn at night? Is it time to look for a second job, or at least a better-paying one?

Or maybe you just have an inner voice telling you that while your family's expenses are rising, you've reached a dead end in your salaried position. Maybe you should move on before you're mired in a permanent rut?

When a midlife financial crisis strikes, the thought of opening a business and being your own boss can sound like the perfect solution. But dangers lurk, as Rachel and her husband found out.

[THE BACKGROUND]

The Older Entrepreneur

We know that a majority of new businesses will fail, yet the number of people over 40 starting their own businesses is growing. According to the Ewing Marion Kauffman Foundation, a leading research outlet on entrepreneurship, more businesses are being started today by people aged 55 to 64 than by the under-25 crowd.

And they're largely succeeding. In a Kauffman Foundation study that tracked the survival rate of 5,000 start-ups launched in 2004, they found that 64 percent of the surviving companies were headed by entrepreneurs aged 45 and up.

According to business mentor Dennis Ceru, founder of Strategic Management Associates, older entrepreneurs may be more successful because they can draw on greater financial resources and have a wider network of business associates to tap for support and advice. Still, if someone lacks previous business experience and access to ready money, age may not make such a big difference. And if you open a business from a place of desperation, rather than strength, you're liable to make some big mistakes.

"What a person shouldn't do is try to

open a business while in the middle of a financial or emotional crisis," says Meir Shterenberg, project director of JOIN Israel's Pitronot advocacy program, which helps Israelis who have fallen into financial and legal quagmires.

"The best way to learn a business is to work for someone else for at least a year or two," advises Meir. "When you work for somebody, you gain experience from the inside. If you keep your eyes open, instead of just doing your job, you'll learn how to manage a business."

If that's not an option, Meir suggests turning to an organization like Mesila, which helps people create sustainable, long-term solutions for their economic challenges. Mesila's business division gives free one-time business consultations, and counsels those who want to open a business as well as current business owners. The organization also provides professional courses in areas such as marketing and finance.

But even if you do everything right, the economy can throw a curveball that puts your business off balance. How you respond can make or break your business, as one owner of a small retail shop found out.

RACHEL'S STORY //

Retail work is grueling, but I love it. My first job after college was working at a food store. I had an amazing boss who taught me all aspects of the business. I loved the job because every day I learned something new.

While working at this store, I completed a graduate program in business administration. I remember thinking that it all seemed obvious. I was doing in practice what the classes were teaching in theory, whether it was marketing or managing the inventory.

After a few years, I got married and my husband and I had our first child. Then the economy slowed down and jobs became harder to find. My boss brought in his son-in-law to help him run the business, so he could give him a parnassah, which meant I was out of a job. I don't blame him. We all know the saying that blood is thicker than water. But I had a family to support, too.

People had been telling me for years that I should open my own business. I didn't listen. It wasn't because I thought it would be too hard; with all my experience, I felt I could succeed. But I knew myself, and I knew that I enjoyed having a steady salary and benefits, without having to shoulder all the responsibility. There are some people who grumble because their boss makes more money than they do, but I was never one of those. Although I worked long hours, when my day's work was done I could switch gears and concentrate on my family. When it's your business, you're on call 24/6.

While I would have preferred working for someone else, I couldn't find another salaried position. So when I heard the owners of a health food shop wanted to sell their business, I checked it out. It looked good — I wasn't interested in becoming a millionaire, I just wanted to

Wise, Not Old

Sam Walton started Walmart when he was 44. Reid Hoffman was 36 when he launched the ultra-popular career networking site LinkedIn. So you don't have to be a 20-something to start a successful new business. But it does pay to be realistic; both Walton and Hoffman had years of experience before they struck gold.

According to the experts, there are a few things that an older entrepreneur should consider before opening a business.

Dawn Mentzer, who started her own freelance writing business at 45, says those 40 and older should take into account these two points before starting a business:

You're set in your ways. As Rachel Cohen found out with her health food business, nothing lasts forever. Whether change comes in the form of a recession or technological innovations, a business owner who resists or ignores change risks his own future.

Your stamina isn't what it used to be. Running a business is mentally and physically demanding, Mentzer warns, and it's not uncommon for would-be entrepreneurs to run out of steam after a few years. It's therefore important to recognize your limitations and find ways to work around them.

One solution Mentzer suggests is to hire younger employees. They'll add a boost of energy to the workplace, be in tune with the needs of younger customers, and can keep on top of innovations in technology.

Anna Mollegen Smith, a former editor-in-chief of prominent women's magazines who now has a second career as a freelance writer, offers this advice for starting a business after 40:

Be clear-eyed about your abilities. Confidence is a valuable commodity, she says, but be prepared to be surprised by how much you don't know. Be honest about what new skills you can master, and budget for jobs you'll have to give to others.

Consider your life stage and your family's. While it might be tempting to bypass bank loans and use your own savings and assets to finance your business, Smith suggests honestly asking yourself a few questions first: Will you still be able to cover your family's expenses — *chinuch*, *simchahs*, etc. — as well as unforeseen emergencies with the money remaining? And will you be able to financially recover if the business fails? You don't want to lose your home or your life savings when you're 50 or older.

help support my family — and I decided to buy it.

BRIGHT BEGINNINGS

There are pros and cons to buying an existing business. On the pro side, people are already familiar with it. In this case, although the location wasn't great — a newer shopping district had opened not too far away that was considered a "hotter" location — the store was in a well-trafficked area.

The cons were that the previous owners had let the store run down and they didn't have a reputation for great service. But I was optimistic that I could make a success of it. I took out some bank loans and had the entire shop remodeled, giving it a more upscale look.

I also updated the product line. This was when there was an explosion of new kosher products, and I made sure to include some of them. As for customer service, I'm a people person, and it was easy for me to be enthusiastic about my products and to help people find what they needed.

In the beginning things were great. The business was growing, and my customers were happy. But I guess nothing lasts forever. The economy went from bad to worse and people became more cost conscious and bought less.

A MISCALCULATION

Another blow was an increase in competition. When I bought the

business, there weren't any competitors nearby. Then a supermarket located not too far away began carrying some of the same products I was selling, and I lost some of my customers to them. Soon after that a new supermarket, one that concentrated on offering great deals, opened in the next neighborhood. Although my prices were competitive — the new supermarket's deep discounts didn't extend to their health food products — it didn't matter. People might have gone to the new supermarket for the deals on chicken or paper goods, but while they were there they also stocked up on their health food items. I couldn't lower my prices any further and

I couldn't compete with the convenience of one-stop shopping. That's how I lost another large chunk of my customer base. A change in fortune like this takes over all areas of your life. My husband and I felt so frustrated and concerned about our future. Imagine going in circles like that — it's enough to drive you crazy! We're always thinking, where do *emunah* and *bitachon* come in, and where does accountability come in? If I do just a little more — bring in another product, do something else to make the business more attractive — will that help turn the tide? But life in America is changing, the molds are changing. And it isn't just

me. You know how they say misery loves company? I'd turn on the radio and hear that giants like Sears are experiencing difficulties, closing stores. But where did that leave me? Should I keep trying or give up? It was overwhelming. I'd tell my husband, who helped me at the store: "Let's go to the pet shop so we can watch the hamsters running around the wheel." That's what I felt like, a hamster running and running and not getting anywhere. I might have been able to weather the storm if I could have found new customers and new markets. But I totally miscalculated the importance of e-commerce and social media. I'm from

an older generation, and most of the marketing that I knew and understood — things like print advertising — were from the pre-Internet days. Also, like many *frum* people, I was ambivalent about using the Internet. I did set up a website that allowed customers to order products online, but I didn't devote a lot of time to it. Because I had zero experience with social media sites, I hired a younger person to reach the student market through social media, but it didn't work out. Maybe I didn't give her enough of a chance — she kept saying results would take time. I just found it hard to evaluate the work of someone whose job I didn't really understand.

truly believe Hashem will help me find a new way to support my family.

BEAT THE ODDS Rachel and David worked hard at their business, but ultimately failed. Could they have done anything differently? According to Moshe Elias, head of the business division of Mesila, the couple could've utilized an important tool called the Triangle Team. A Triangle Team is formed when a business owner recruits a professional business counselor and a business owner from within his or her industry with at least ten years of experience. Through that mentoring, Elias says, a business can double its chances at success.

"When an entrepreneur wants to open a business, he should ideally possess the knowledge and experience of someone who has been working in that area for ten years already," Elias says. "The dynamics of the modern market force the business owner to be professional from day one. Customers have no patience for mistakes." In a Triangle Team, a counselor helps the new business owner build a realistic marketing and operational plan while the experienced business owner introduces him or her to suppliers and customers. His input is invaluable because he has worked in the field and learned from his mistakes. "Rachel's story could have been different," Elias says. "If she had a built a Triangle Team, even if a competitor came along and challenged the business, the team could have counseled her not to bleed losses for so many years and close the business earlier." In summary, Moshe says, don't try to open a business without the help of others. ●

OPENING A BUSINESS 101

Entrepreneur and business coach Brad Sugars offers the following general advice, no matter your age: **Offer what people want to buy, not what you want to sell.** It sounds obvious, but how do you know what people will want to buy? Sugars recommends doing a lot of market research before investing a dollar. And, echoing the advice of *Pirkei Avos* that it's better to be the tail of the lion than the head of the fox, he suggests going for a small slice of a large market category rather than trying to corner the market for a product that's not in demand. **Always overestimate expenses and underestimate revenues.** It doesn't mean you must accept those numbers, he explains. In fact, you should always be looking for ways to lower costs.

If you're not a natural negotiator, reach out to a coach or advisor who can help you learn how to negotiate better terms with vendors. **Market like a maniac.** Without sales a business will tank. So don't get sidetracked by tinkering endlessly with a new logo. **Test and measure everything.** You can't know if a strategy is working if you don't track and measure your results. The time spent in setting up a good reporting system will more than pay for itself. **Learning equals earning.** Even if you decide to hire an accountant or marketing professional, try to learn as much as you can about every aspect of your business — either from them, or by taking a course. This will put you in a stronger position to evaluate the

work of others and enable you to intelligently discuss strategies for improving your business. Successful entrepreneur Barry Moltz adds these pointers: **Sales are vanity; cash is sanity.** Businesses often fail because they run out of cash. If you're making sales and still losing money, run to get help. Keeping the cash flow flowing should be a top priority. **Overnight success can take seven to ten years.** Patience isn't just a virtue. In business, it's often a necessity. Successful entrepreneurs have the self-confidence to learn from their mistakes — reaching out for help if they need it — and implement changes. **We can't always learn from failure.** Sometimes there is nothing to learn from failure. Therefore, rather than continuing

to throw good money after bad, sometimes it's better to quickly let go of a failure and move on to something else. According to Meir Shterenberg, every person who opens a business should have a red line representing the amount of money he's willing to lose. "Rav Yisrael Salanter once said that someone who doesn't know how to close a yeshivah shouldn't open one," he comments. "The same is true in business. The worst thing a person can do is continue to invest money in a failing business and go even deeper into debt because he's too embarrassed to face the truth." *Meir Shterenberg is the project director of JOIN Israel's "Pitronot" advocacy program. He can be reached at 4pitronot@gmail.com.*

THE BOTTOM LINE REACHES BOTTOM

I've managed to hang on for nine years and feel like I've tried my best. I've added new products, and advertised in different publications, but at this point I honestly don't see what more I can do. I'm in a lot of debt, and I don't know how I'm going to get out of it. The only option seems to be to close the business. I've been postponing that decision for the last few years, but now I'm ready to do it. So much of what happened to me were things I couldn't foresee — the growing importance of social media, the inclusion of health food products in kosher supermarkets. I can't say that I'm not disappointed about the way things turned out, or that I don't have moments of fear when I think about the future. But as a *frum* Jew, I have to believe the failure of my business is coming from a Higher Source and for a reason. Some people have health problems. Baruch Hashem, my family is okay. If we have to rethink the financial situation, so be it. I