

**HOW TO ORGANIZE AND MANAGE A  
SMALL BUSINESS**

HOW TO ORGANIZE

SMALL

AND MANAGE A

# BUSINESS

BY NELMS BLACK

NORMAN

UNIVERSITY OF OKLAHOMA PRESS

COPYRIGHT 1946, 1950 BY THE  
UNIVERSITY OF OKLAHOMA PRESS  
PUBLISHING DIVISION OF THE UNIVERSITY  
COMPOSED AND PRINTED AT NORMAN, OKLAHOMA, U.S.A.  
BY THE UNIVERSITY OF OKLAHOMA PRESS  
FIRST EDITION, OCTOBER, 1946  
SECOND PRINTING, MAY, 1947  
NEW EDITION, REVISED, JULY, 1950

*To HAZE and TOM  
who gave this nation five G.I.'s and  
one successful small business  
this book is affectionately dedicated*

## LEARN — EARN — OWN

**E**ACH YEAR in the United States approximately 400,000 average Americans go into business for themselves. They start, buy, or inherit a small business.

Sixty-five per cent to 70 per cent fail within two years—for two reasons: first, lack of experience, training, and planning; second, the high cost of business mistakes during the early build-up period. Thus it becomes increasingly apparent that in going into business there is little or no *margin for error!*

Fifty per cent of small-businesses keep few if any business records. Seventy-five per cent to 80 per cent make no effort to learn even the elementary phases of management. They learn the hard way, by losing. That is why many succeed on their second or third attempt.

On the other hand, hundreds of independent dealers, typical American small-business men, succeed on the first try. They have followed a simple formula: learn, earn, and own! The formula is simple. But the conscientious headwork and paper work by which success is achieved is neither simple nor easy. Yet it is not impossibly difficult, as is proved by the large number of healthy and prosperous small-business firms.

As a prospective small-business man, you should study, work, and plan to place yourself among the upper 10 per cent or 5 per cent in your field of business enterprise. This is a measure not of size but of ability, experience,

and "know-how"—survival. You will find that the upper 10 per cent stay in business twenty years or longer, while the upper 5 per cent last thirty years or more. Length of healthy business life is the surest measure of business success. You will find that size alone has little to do with it.

This brings us to the service idea of this book.

If you were planning to become an independent dealer in car and home supplies for a large company, you would first attend a dealer school. Then you would continue your training by going to work in a company-owned store. There you would put training into practice and eventually become the manager or assistant manager of the type of store you planned to own and operate. Finally you would be put in charge of a store which you would buy outright from the company, or you would locate and open a new store with the advice and help of company experts.

In this event, in nine chances out of ten, your new business would be a success. Why? Because the necessary headwork and paper work would have been completed. Your business self-training would have been sound. You would have acquired the experience and practice necessary for business survival.

The purpose of this book is to guide you through the self-training, headwork, and paper work necessary to survive in a small business. The initiative, hard work, and self-discipline required are all yours. Nobody is going to supervise your effort. No book can make your decisions or supply ready-made answers to business problems. The point to remember is that without training, experience, and ordered planning your chances are *one* in ten. With them your chances of success become *nine* in

ten. (This estimate is based upon the writer's experience in training independent dealers in the manner described above.)

You will find that managing your own training and study is more difficult and more valuable than supervised, formal training. In fact, the businesslike way in which you plan and manage your business self-training may well serve as a measure of your business-management ability later on. It will show you how well you can think, plan, and work with no supervision.

Learning to manage a business is the same thing as learning a new job, or rather a series of new jobs. Responsibility of management is a job in itself. So is purchasing. So is bookkeeping. So are selling, and planning, and personnel work, and your relations with the public. You may be expert at certain jobs in a business yet lack important elements in the overall job requirements of managing that business.

Nor will reading this book alone supply those elements. It is only a guide to further study and practice. You may need further study and experience in marketing, in budgeting, in organization, or in general management. In addition, there is a great deal of special information you will require about your own particular field. You will find a mine of facts and figures about small business in the United States Business Census publications, which will be discussed later. Many other sources of business information are suggested for further study.

From such data you will be able to figure the basic percentages for your business: costs, margins, gross and net profits, guiding ratios and percentages, and the hundred and one items you need to (1) plan a successful business operation, (2) make it work according to plan,



and (3) know from day to day exactly where you stand and why.

The sole aim of this book, then, is to help you increase your chances of success in small business from one in ten to nine out of ten.

To achieve that aim, it deals with facts, figures, and ideas, and it outlines a great deal of hard and necessary work.

You will find much compensation and penalty in small business. Its penalty is heavy responsibility and long hours at low pay during the build-up years in which you learn, earn, and own. Its compensation is strong personal satisfaction and self-respect, plus the excellent mental wage of being your own boss. The material and mental rewards of doing a better job through personal initiative, ability, and headwork are high. And with them go the knowledge and satisfaction of a real and honest contribution to the democratic freedom which we call the "American way of life."

NELMS BLACK

# CONTENTS

## LEARN—EARN—OWN vii

- 1                      OPPORTUNITY                      3  
"Rationed" new business a cause of unemployment—100 billion dollars needed in new enterprise—Small business and new jobs—Yearly new-job quota for U. S.—How to survey small-business opportunity—Your small-business self-training—Learn, earn, and own—Six points for the beginner.
- 2                      PERSONAL ANALYSIS                      15  
Your personal requirements—Your number-one employee is you—How to measure your chances—How to inventory ability and experience—Your personal "man-power specification"—Be your own research and planning board.
- 3                      CHOICE                      30  
Choosing a small business—Know it, like it, play percentages—Factors affecting type, size, and location—Effect of capital and location—Make your own decisions—Capital needs and business mortality—Retail, wholesale, manufacture, or service?
- 4                      NEW BUSINESS IDEAS                      54  
Three "whys" of success—To create a difference and collect your price—How to find new ideas—Appraisal and testing of new ideas—Mistakes in miniature, success full-sized—Competitive insurance.
- 5                      FINANCING                      65  
The problem of capital loans—G.I. loans—Safe ratio of borrowed capital—How to figure capital requirements—Sources of capital for small business—Types of capital loans—How to apply for a capital loan.
- 6                      FINANCIAL MANAGEMENT                      78  
Success and size—Business ratio and percentage guides—What they are—Sources of ratio and percentage data—Use of ratios and percentages in planning and management—Example of use in small business—How to figure ratio and percentage guides for your business—The "what, why, and how" of your business prospectus—Its use in applying for capital loans.

## SMALL BUSINESS

- 7 MARKET 90**  
Lack of potential customers, its cause and cure—How to measure your market—Simple market reconnaissance—Check list of market questions—  
Define your customer—The importance of customer percentages—  
Why specialize—The cost of building business momentum.
- 8 ORGANIZATION 101**  
Your preliminary organization—Check list of the five "M's"—Organizing detail and timetables—Examples—Joe Brown, small manufacturer—  
Charley Jones, retailer—High cost of delay.
- 9 MANAGEMENT 115**  
How to manage your time—As your own purchasing agent—As production or service manager—As sales and advertising manager—As comptroller—As manager of research and planning.
- 10 PRICES AND PROFITS 126**  
Price engineering—Ratio between profit and service cost—How to determine service cost—Successful business unit of measure—Effect of sales effort on profit—Ratios of sales cost to profit requirement—  
How to obtain profitable prices.
- 11 BOOKS AND BUDGETS 138**  
The budget plan versus actual performance—The "how" and "why" of knowing where you stand—Sales forecasts—The budget period—How to set up a budget—The importance of business records—Minimum requirements—Use of business records in budget control.
- 12 CREDIT AND COLLECTIONS 150**  
How to determine a credit policy—Types of credit—Instruments of credit—Credit periods—Developing credit sense—Sources of credit information—Credit cost versus credit sales value—Credit records—Be your own credit manager—Collection salesmanship—Collection letters—  
Credit action—Personal business credit, a form of "character wealth"—Safeguard credit as a vital asset.
- 13 CUSTOMERS 163**  
Average customer loss, 30 per cent per year—America's change from a seller's to a buyer's market—Customer turnover—Steps in customer "manufacture"—The cost of making a customer—How to measure customer value—Building customer prestige—Customer relations—  
The "how" and "why" of customer research.

## CONTENTS

- 14                      SALES COSTS                      173  
How to set a sales quota—Sales expectancy for a new business—Charting your sales quota—Performance curves and quota revision—Plan quota to fit finances—How to gear sales costs to profit objectives—Costs of business build-up—Items charged to sales costs.
- 15                      SALES MANAGEMENT                      185  
Sales management planning—How to measure the sales operation—Sales functions and cost measurement—Sales personnel—Sales training—Problem of special discounts—Retail-sales problems and training—Sales incentives and morale—Sales meetings.
- 16                      ADVERTISING                      197  
The function of advertising in customer manufacture—How to determine the place of advertising in your business—Plans and the budget—Regularity and continuity—Test and check—Methods and media—Ten ways to make a small budget do a big job—Merchandise your advertising.
- 17                      COMPETITION                      209  
Competitive thinking—Competitor relations—"Live and let live" versus "dog eat dog"—Cut prices mean large volume, a profit myth—Know your business limits—Laws governing competition—The danger of fear in competitive planning—How to meet competitive price threats.
- 18                      PERSONNEL                      220  
Your personnel family—How to measure ability—Ten-to-one differences in ability—Pick and pay for the best—Happiness, efficiency, and high pay—High pay, low cost, and profit—The importance of morale and a high mental wage—Keep them working with you—  
How to build incentive.
- 19                      RESEARCH AND EXPANSION                      231  
Plan in terms of new markets—What's new, what's needed in your field—Research sources and possibilities for small business—How to plan for expansion—Keeping a step ahead of competition—Produce and service development—Customer and market research—Expansion plans and policies.
- 20                      PUBLIC RELATIONS                      243  
People make or break your business—The "how" and "why" of planned public relations—Your key service idea—Fact and promise—How to clarify your aim—Materials and the message—Employee missionaries—Ten commandments of good public relations—How to test your program.

## SMALL BUSINESS

### 21 GOVERNMENT AND TAXES 255

Business records and government paper work—Pay-roll—tax calculators—Effects of government policies on small business—Opportunity versus security—National expansion the aim of business and government—Twelve ways to improve teamwork between business and government.

### 22 BUSINESS THINKING 267

Policies and practices of the good neighbor versus "dog-eat-dog" business cycles—The "how" and "why" of boomerang economics—Its effect upon purchasing power—High cost of sick business—Technology minus venture capital equals unemployment—How to plan for healthy competitive enterprise—Committee for Economic Development—How to put fifteen to forty people to work for the cost of one on relief—Examples of "Learn, Earn, and Own"—ABC's of a new "Planned Economy" for America.

### 23 LET'S GO TO WORK 285

How to begin—ten first steps—Experience versus requirements—How much time for business self-training—Business refresher courses—Your facts-and-figures notebook—Plans and Objectives—Your two-foot shelf of business books—Interviews and consultations—Measure your market—Compile your business prospectus—Planning key policies—Preliminary organizing—Opening day.

## APPENDICES

- I Outline for a Sample Market Survey 301
- II A Work Sheet for Retail Planning 318
- III Ratio and Percentage Guides 332
- IV A Sample Bookkeeping System for a Small Business 347

BIBLIOGRAPHY 351

INDEX 361