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Information: The Key to Succeeding in Entrepreneurship

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Information: The key to succeeding in entrepreneurship

With virtually every community in America vying to attract the next Great Dane facility, a lot has been made of business recruitment as a prime economic development tool.

There is no question that having a large corporate presence to anchor an industrial park can help hundreds of area residents in need of a high-skilled, high-wage job. But in this era of globalization, economic uncertainty and job insecurity, it is easy to lose sight of a key driver in the nation’s quest for economic prosperity — the entrepreneur.

With more than 98 percent of businesses in the U.S. classified as small businesses and with them accounting for more than 64 percent of new jobs in the last 15 years, most civic and economic leaders recognize any strategy to effectively promote a region’s prosperity should contain initiatives and incentives to aid small business creation.

Long before there was a Walmart, McDonald’s or Dell Computers, there was an idea to improve the marketplace and deliver goods and services in an economically viable manner. There was a will to be successful and a commitment to excellence that fueled the ambitions of Sam Walton, Ray Kroc and Michael Dell.

These companies, and thousands like them, are successful not because they are heavily financed. Their founders were savvy enough to recognize an abundant resource available to act in an expedient but prudent manner and work to succeed.

But what drives an individual to be successful in business? Or better put, what compels someone to become an entrepreneur?

Most people seem to believe starting a successful business begins and ends with money. We’ve all heard the adage “it takes money to make money.”

Though having the right resources is important, access to capital is only a part of the equation.

Dell Computers started in a college dorm room and Walmart, a company with more than $420 billion in annual sales and two million employees, started with $25,000 in savings and loans.

Seldom does long-term success depend solely on having adequate funding. A bad or ill-conceived business idea is a waste of the precious time and money that will not be more likely to succeed regardless of the amount of funding it receives.

There is also a popular belief that successful entrepreneurs are risk-takers.

Though there is an element of risk associated with launching a new business enterprise, entrepreneurs, by and large, are not risk-takers. They mitigate risk, calculate the probability of failure and most importantly act when an opportunity presents itself.

So if it isn’t simply about money and risk-taking, what is it that makes entrepreneurs successful?

Though this is a multifaceted question, perhaps the simplest answer is information.

When it comes down to it, the successful entrepreneur knows something about the marketplace, the supply chain, the financial markets, etc. that the rest of us don’t.

Successful entrepreneurs rarely act with reckless abandonment.

Their success hinges on their ability to gather information, to plan an appropriate course of action and to implement their strategy in an effective and calculated manner.

At Georgia Southern University’s Bureau of Business Research and Economic Development (BBRED), we have a long history of helping businesses and communities collect information and recognize opportunities as they arise.

We utilize extensive databases and work with our faculty experts at CSU to identify areas in which dollars are leaving a particular community and develop strategies to capture those dollars.

We help determine when and how to act to support companies that can be supported to exploit those gaps, to assess where the global economy is headed and to outline areas in which a company or community has a strategic advantage or can capitalize on future opportunities.

This can be as simple as knowing whether a community generates enough sales to support a manufacturer or understanding demographic data to determine the best location to open a new drycleaner shop.

Success in business isn’t just about thinking outside the proverbial box. It’s about having the best information available and learning how to recognize opportunities while they are still economically viable.

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BY STEVE EAGLE

In 2010 the U.S. Department of Labor launched a five-year strategic plan to increase ERISA (Employee Retirement Income Security Act) compliance on health and welfare benefits.

ERISA is a federal law regulating a broad array of benefit plans. The act requires employers and employee-sponsored benefit plan designers to provide specific information to plan participants.

It also requires employers to give the government detailed reports regarding these plans and employee participation.

Until this year, the Employee Benefits Security Administration (EBSA), the unit responsible for enforcing ERISA compliance, focused its audit activity on large employer groups, multi-employer group plans and unions. In the past 12 months, the EBSA has added almost 1,000 new auditors, and employer groups targeted for audits now include those with as few as 100 employees.

With careful planning, diligent record keeping and a thorough understanding of fiduciary responsibilities, employers who receive the audit letters can survive the process.

Employers with lax controls, inconsistent plan administration and inexperienced advisors may feel the pain for not keeping their human resources procedures in top shape.

Audit triggers

DOL’s 2010 strategic plan establishes new, rigorous performance measures for enforcement activity regarding ERISA and the myriad related laws.

In 2010, the EBSA conducted 3,112 audits, 75 percent of which cited plan sponsors for one or more violations. Industry observers indicate audit results for 2011 are generating citation rates at even higher levels, and 2012 results will probably be even higher as more EBSA auditors hit the streets.

EBSA audits are conducted using a random sampling of benefit plans grouped into classes such as health, pension and defined contribution. In addition to random audits, a number of events can trigger an audit:

1. Plan participant complaints.

More than one-third of the audits conducted in 2010 were related to participant complaints to the DOL.

2. Form 5500 irregularities.

EBSA can spot potential coverage concerns, particularly with regard to retirement plans, based on low participation levels.

3. New audit initiatives.

The DOL has issued a multi-year roadmap for its auditors, such as examining participant deferrals to contributory retirement plans.

4. Auditors audit.

EBSA also audits of third-party auditing firms such as accountants and TPAs.

Regularities and/or incomplete record keeping at these firms can prompt an employer audit.

The audit process

If your firm is audited for ERISA compliance, relax but get ready to put in extra hours. The form letter may identify more than 37 separate areas of review for which you will be required to provide supporting documentation.

If serious errors are found on the initial review, auditors may ask for documentation going back as far as six years. Cooperate with the auditors and notify your attorneys of a pending audit as soon as you receive the notification letter.

Penalties for non-compliance

In the event your organization's employee benefit plans and practices are found to be non-compliant, request a reasonable amount of time to correct the deficiencies without a financial penalty.

Fines and penalties can be substantial, so do not take such discussions or promises lightly. Plan administrators who fail or refuse to comply with annual reporting requirements can be assessed penalties up to $1,000 per day.

For those plan administrators who engage in prohibited transactions with welfare and non-qualified pension plans, the penalty can range from five percent to 100 percent of the amount involved in a transaction.

In some instances, the DOL can file criminal charges against anyone who willfully violates ERISA regulations.

Conclusion

There are 708,000 private employee-sponsored retirement plans and 2.8 million health plans in the United States. Statistically speaking, your chances of being audited are minuscule. But why take a chance?

Take steps today to be sure your benefit plans are in compliance with ERISA regulations.

Steve Eagle has 27 years of employee benefits consulting experience. He is a founding member of Seacrest Partners and serves as the managing partner of the firm’s employee benefits practice. Contact Steve at 912-544-1920 or steve.eagle@seacrestpartners.com.