

# Starting a Small Business

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**SHARING MY EXPERIENCE**

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## The Good News

- All top ENR 500 businesses started small
- Small businesses can be very rewarding
- Risk can be controlled
- Family can benefit from family-owned small businesses
- Many national and local success stories

# The Rewards

- Your own boss
- Set your own hours
- Excellent for retirement planning
- Get family members involved
- Hire friends
- Enjoy growth and prosperity
- Give back to those who help you:  
family, friends, and your community
- Mentor other start-ups

## Facts from SBA

- 90% of small businesses fail in the first year
  - **Majority that fails don't have a business plan**
- Of 10% that make it first year, only 50% prosper
- Lack of planning is No. 1 cause
- Lack of competency is No. 2 cause
- Lack of financial backing is No. 3 cause
- Having too much work all at once is No. 4 cause
- Majority of business owners that fail revert to being employed by others

# How I Started My Business

- Always had a vision to own my own business
- Made a decision early on that I will work for a small business
- Started at FHWA (18 months), then with a local MBE firm for 8 years
- Got involved with every aspect of the business
- Got involved with clients, finances, employees, etc.
- Started my own firm in 1993, **NOT** an MBE firm

# How I Started My Business

- My decision was driven by emotions only
  - I did not have a business plan
  - I did not have clear vision and objectives
  - I did not have any financial backing
  - I almost failed in the first three months
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- I regrouped quickly (more focused and realistic)
  - I developed a business plan
  - I targeted “low hanging fruits”
  - I stayed a one person operation for two years

## How I Started My Business

- One partner Joined me in 1998; operation had 9 people. Firm became an MBE in late 1998.
- Today we are a 115-person firm with specialties in Civil, Structures, Utilities, Traffic, Transportation Planning, ITS, Lighting, Transit, Construction Inspection, Construction Management, and Bridge Inspection.
- Each of our Group Managers has a business plan

# Am I Ready to Start My Business?

Things you should consider and be **honest** with your self!

- Clear Objectives
- Vision of your business (one person, less than 10, mid size)
- Commitment
- Dedication
- Market and Timing

# Am I Qualified to Start My Business?

Things you should consider and be **honest** with your self!

- Do you have the right skills
  - Technical
  - Managerial
  - Financial
  - Business Development
  - One person shop

# Starting a Small Business

Steps you should take before leaving current employer:

- Discuss with your **family**.....Huge Commitment!
- Discuss with you employer.....your best friend!
- Discuss with MDOT MBE Office or SBA
- Check your finance.....expect 6-8 months w/o income
- Project economy growth for the next three years
- Discuss with prospect clients.....line up small jobs
- Check with SBA for a small business loan/local bank

# Family Matters!!

- Family must be supportive
- Very long hours
- May sacrifice vacations, travel, other \$\$ purchases
- Unwavering emotional support
- Financial support
- Work as a team
- Technical help can be helpful (friends, children, etc.)

Family members can help in clerical, billing, drafting and HR duties, and also make contacts with prospect clients

# How much Money Do I need?

There is no magic Formula

- Depends on what business you are in: Engineering, CEI, CM, etc.
- Expect no income for 6 months
- Professional Insurance, health Insurance
- Software can be very expensive
- Rent and Office set-up
- Transportation
- Salary
- Add them all up and factor by 1.5

# Small Business Loans

SBA Loans via local banks will offer 90% of capital investment, but they also consider the following factors to justify loans:

- Qualifications
- Experience
- Business Plan
- Collaterals
- Pay back period

# Prepare a Business Plan

- Banks want to see it!
- SBA wants to see it!
- It is a blue print of your projected operation
  - ❑ Mission, Services, Target Clients, Budget and Forecasts, Staffing, Growth
- Identify a business development plan
- Allow for a gradual growth
- Make sure you are doing the right thing

# Business Development

- SHA Consultant Services
- MDOT SBR Program
- ACEC
- Prime Consultants
- Letters of Recommendations
- Website
- Small Brochure
- News Letter
- Good Work/ Reputation

## Cheap Support

- SBA Counselors can help a great deal for no charge
- Legal Assistance
- HR Assistance
- Accounting/Billing
- Professional Insurance

## Set Aside Small Projects

- MDOT SBR Program
- FHWA SBA and SBIR
- Cities and Counties have sole source contracts
- Project under \$5K can be sole sources
- Some private entities prefer small firms

## Why an MBE Certification?

- Huge market of opportunities; less competition
- Enticement for diversification of services
- MBE goals for federal, state, counties and cities provide a great motivation for MBE services
- Tremendous need for good talent
- Government already paved the way for MBE firms
- Secured Growth
- Availability of financial assistance programs

## Lessons Learned

- Excellent program and great MDOT support
- Unmatched opportunities
- Can be very profitable
- Business plan is a necessity
- Too much work can put you out of business if you can't meet payroll
- Grow in a manageable manner and use your Business Plan to guide you

## Lessons Learned

- Focus on what you know
- Don't be greedy
- QAQC can make you or break you
- Don't burn any bridges.....very costly and has a compounding effect.
- Be responsiveness to clients
- Expect rejections and use it to motivate you

# Challenges

- Start-up Operation
- Long hours
- Working Capital
- Financial Management
- Economy Projections
- Stereotyping
- Client Expectations
- QAQC
- Rejections
- Growing Pains

## Hindrance

- Perception of small businesses
- MBE Stereotyping
- Hiring
- Benefits/Competition with large firms
- Perception of limited job advancement
- Perception of control and micromanagement
- Perception of no technical supervision

## Common Problems/Pitfalls

- Thinking Small
- Lack of Business Development Activities
- Lack of Socializing/Engineering Soc. Meetings
- Mindset that “work will come to you”
- Not Using Resources USDOT and MDOT Offer
- Not taking advantage of MBE Partnering

??? Questions ???