Reading

What Makes a Small Business Successful?

The U.S. Small Business Administration (SBA) defines small businesses as those employing fewer than 500 employees, and many are much smaller than that. In the United States, about a third of small businesses employ fewer than twenty employees. Many thousands of new small businesses are started every year, but few survive. In fact, according to the SBA, one in three fails during the first two years, and only one in two survives beyond five years.

People start small businesses for a variety of reasons, but whatever the particular motivation, certain characteristics make a small business more likely to succeed. Business advisers point to the importance of finding a niche. It is difficult for a small business to compete with the array of products or services a large business can offer. Instead, the small business that has defined what is unique about the product or service it provides has a greater chance of success. A small business can offer customers personalized service and specialized products or knowledge that can be more difficult to find in a large chain store, for example.

Related to the concept of finding a niche is the importance of maintaining a competitive edge. To be successful, a business has to look at what its competitors, whether large or small, are doing and find a way to stay ahead of the game. In addition to offering a specialized product or service, a business that has more efficient production or distribution systems, a better location, or a reputation for excellence in customer service can do well in a competitive market.

Research and planning are vital steps in setting up a small business. It is essential to determine who the potential customers are and the best way to reach them. It is also necessary to develop a sound business plan that, among other things, shows how the business will make a profit and projects the cash flow that will help the business stay afloat.

Naturally, a successful small business starts out with proper financial support. In addition to the costs of starting the business, there are also the costs of running it until it starts turning a profit. Typically, a small business takes one to two years to become profitable. During that time, there are still expenses that have to be met. Rent has to be paid, employees have to be paid their wages, and supplies have to be bought. If plans have not been made for supporting the costs of the business until it brings in a profit, inevitably it will fail.

One important tip is to start small. This allows owners the opportunity to learn little by little without making huge costly mistakes. Working alone in one's basement during the initial phases of the business, for

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example, costs a great deal less than renting a space and hiring staff. If the business generates less income than expected or if the market needs to be redefined, the financial losses will be much less if expenses have been kept to a minimum.

About half of private-sector employees in the United States work for small businesses. This number is even greater in other parts of the world. Successful small businesses make important contributions to the economy everywhere.

Answer the questions about **What Makes a Small Business Successful?**

Questions 1–3

Choose the correct letter, ***A, B, C,*** *or* ***D.***

1. How many small businesses fail during their initial two years in business?
   A One-half
   B One-third
   C One-fourth
   D One-fifth

2. What kind of edge can a small business have over a large business?
   A Better business advisers
   B A wider array of products
   C Greater motivation to succeed
   D More personalized service

3. How long does it usually take a small business to start earning a profit?
   A Less than one year
   B Between one and two years
   C More than two years
   D At least five years

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Questions 4–7

Complete the summary below.
*Choose **NO MORE THAN ONE WORD** from the text for each answer.*

Vital Steps to Starting a Small Business

- Define what makes your product or service **4** ..... or different from others in your sector.
- Identify your **5** ..... customers.
- Write up a **6** ..... business plan.
- Make sure you have the **7** ..... support to keep the business running until you earn a profit.

My Words

Write the words that are new to you. Look them up in the dictionary and write their definitions.

Words	Definitions

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Word Families

noun	competition	There is a lot of competition for the attention of customers.
noun	competitor	Business owners need to pay attention to what competitors are doing.
verb	compete	A small business can compete with large businesses by providing a specialized service.
adjective	competitive	A small business must stay competitive to succeed.
adverb	competitively	Some small businesses are competitively positioned to grab a market.

noun	inevitability	The owner worried whether failure was an inevitability.
adjective	inevitable	The failure of a small business is not inevitable if all the important pieces are in place.
adverb	inevitably	If a businessman sells an inferior product, it will inevitably affect his reputation.

noun	initiation	There is a lot of hard work and planning behind the initiation of a new business.
noun	initiator	No one knew who the initiator was, but it changed the way companies did business.
verb	initiate	In addition to good planning, financial support is necessary to initiate a business.
adjective	initial	Many small businesses fail during the initial stages.
adverb	initially	It is a good idea to keep your business small initially.

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noun	motivation	A strong motivation to succeed keeps many small businesses afloat.
noun	motivator	The possibility of earning a lot of money was the key motivator.
verb	motivate	Many different situations motivate people to start businesses.
adjective	motivated	The motivated business owner will find a way to make his business succeed.
adjective	motivating	We looked for different motivating factors.

noun	production	The production of handmade items is very time consuming.
noun	product	The success of a small business depends in part on how much customers want the product it sells.
noun	producer	That company is a major producer of electronic equipment.
verb	produce	Some small businesses also produce the items that they sell.
adjective	productive	The business owner wants the employees to be productive.
adverb	productively	He hoped to be productively employed in his field.

noun	profit	It usually takes several years for a small business to earn a profit.
verb	profit	It is a good idea to look at what other similar businesses have done so that you can profit from their experience.
adjective	profitable	If your business is not profitable, you will have to figure out what changes can be made.
adverb	profitably	Some businesses never manage to function profitably.

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Word Family Practice

Choose the correct word family member from the list below to complete each blank.

Many small businesses fail. You don't want yours to be one of them. How can you make sure your business succeeds? The answer lies in careful thought and planning. Before you **1**..... your business, think about your reasons for doing so. What is your **2**.....? Being clear about this will help you keep going even when things get difficult. Then, do your research. What similar businesses are in your area? Will you be able to **3**..... with them? How? Take the time to develop a sound plan. What will your business be about? Will you **4**..... a unique item or provide a personalized service? Whatever you do, make sure it is different in some way from what other businesses are offering. As you make your plan, remember that it normally takes several years before a business becomes **5**..... . Make sure you have enough money to keep going until then. If you follow all these tips, it is not **6**..... that your business will fail.

1.	initiation	initiate	initial
2.	motivation	motivate	motivated
3.	competitor	compete	competitive
4.	product	produce	productive
5.	profit	profitably	profitable
6.	inevitable	inevitably	inevitability

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Dictionary Skill

Changing Stress
The meanings of some words change when different syllables are stressed. These words are spelled the same but are pronounced with different stress. Most are also different parts of speech.

Read the definitions below. Then read the sentences and write the letter of the correct definition for each sentence.

pro-ject [pro-JEKT]
A *verb.* to estimate, calculate a future amount

pro-ject [PRO-jekt]
B *noun.* a task, a defined program of work

_____ 1. Our first *project* is to study the market and identify our potential customers.

_____ 2. We *project* that we will start earning a profit by the end of next year.

Listening

CD 1 Track 20

*Listen to the conversation. Choose **FOUR** letters, **A–G**.*

Which **FOUR** of the following characteristics of a successful small business describe the Sunshine Bakery?

A It does not have nearby competitors.

B It offers a unique product.

C It has a good reputation.

D The idea for it was based on research of potential customers.

E It was started with a sound business plan.

F It became profitable in the first year.

G It was started with the necessary financial support.

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