

WHEN CONVENTIONAL WISDOM IS WRONG

# Debunking

Small-Business CASE. NO. MYTHS

You can't always believe what you read (except, of course, if you read it in *MyBusiness*). Today's media sources are quick to treat conventional wisdom about small business as fact—and many times those assumptions are inaccurate.

by SHANNON McRAE • photography by STAN KAADY AND CHRIS CONE



VICKY CARVER AND MICHELLE WARD,  
OWNERS OF PEI INC.

**VICKY CARVER BELIEVES HER COMPANY HAS SURVIVED WELL PAST THE INFAMOUS TWO-YEAR MARK BECAUSE OF THEIR CONSERVATIVE APPROACH. "IT DOESN'T TAKE A ROCKET SCIENTIST TO OWN A BUSINESS. IT'S ALL ABOUT HAVING ENOUGH REVENUE TO PAY FOR YOUR EXPENSES."**

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## MYTH

### Eighty percent of small businesses fail during the first two years.

For years, Vicky Carver worked for someone else. "I was in sales for a major transportation firm that went through managers like water," Carver says. "When they were in between managers, they'd ask me to fill in. After I'd done it about three times, I realized I was capable—and that they were never going to promote me."

All of a sudden, casual conversations with coworker Michelle Ward about venturing out on their own became real. And in April 1992, the two women left full-time jobs (with benefits) to start their own company in an industry heavily dominated by men.

"I remember Michelle asking me, 'Are we going to be poor? Because I really don't want to be poor,'" Carver says.

Had the pair believed the myth that most businesses don't—or can't—survive the early years, they might still be sitting in their dead-end jobs today. But fortunately, Carver had a knack for sales and Ward had a head for business—a winning combination that has driven their transportation firm to be on track for \$13 million in sales this year.

The myth that most small businesses fail during the early years is probably one of the most overstated ones in mainstream media. Starting a small business is hard—but it's not impossible—and at least half of all small businesses last at least four years, says the Research Foundation's Phillips.

"Data from government and private sources indicate that only about one-quarter of new firms last fewer than two years," Phillips says. One major qualification of success that won't surprise you is whether a firm grows during its early years. "Firms that grow rapidly during their first few years of existence rarely fail," he says.

Perhaps that's why Carver and Ward's Stockbridge, Ga.-based PEI Inc. ([www.shippei.com](http://www.shippei.com)) is still around today. In the first three weeks of business, the firm did \$18,000 in sales. The following month it did \$52,000, and by the third month, it had sold more than \$60,000. "It was just Michelle and me," Carver remembers. "We didn't even have a computer. She was keeping track of everything by hand."

Carver believes they've survived well past the infamous two-year mark because of their conservative approach. "It doesn't take a rocket scientist to own a business," she says. "It's all about having

enough revenue to pay for your expenses. We kept an eye on expenses and didn't spend money until we had it. We treated it like we do at home. You don't charge \$15,000 on your Visa if you're only making \$15,000 a year.

"A lot of small-business owners get greedy. They start making money, and they take it," she says. "But I'm more worried about next quarter than this quarter. I never wanted a raise. In my world, taking a raise was just like raising expenses."

The two are also sticklers about paying vendors. Instead of waiting 45 days, which is typical for their industry, PEI aims to pay vendors within 15 days. "It's easy to show a profit if you don't pay your vendors," Carver says. By paying their expenses quickly, they know their books are accurate—not falsely inflated.

Surviving the early years of business didn't guarantee easy street for two women. With a growing business comes greater challenges, such as managing employees, affording health insurance and making a profit despite taxes—headaches that usually don't affect you at first. Each obstacle taught them something about themselves and their business, and also gave them confidence about their success.

"Bankruptcy has never been an option," Carver says. "And although we're pretty optimistic, we're not the risk takers that some might think we are."

As they strive for their next major goal—\$30 million in sales by 2012—they reflect on what surviving in a startup means to them: "Unlike most partnerships, it's not just about the money—but our friendship as well," Carver says. "We remind each other that it would be sad to be successful in business but not in our personal lives."