The Business Owner®

If Cash is King, Why Isn't the Statement of Cash Flows?

Net income does not pay the bills. Neither does assets or equity. Only cash pays the bills. So why is so much focus put on the income statement and balance sheet? The answer is that smart business managers DO rely on the cash flow statement for vital management data.

The statement of cash flows is one of the three statements used to report and assess the financial activities and performance of a business. It, by no means, is third in importance as it provides vital information that is not provided in either of the other two reports. It reports nothing less than the cash flow generated over a period for the entire business and for each of the three distinct activities in which every business is engaged! Here are the three distinct activities:

Creating Informative and Empowering Financial Statements – A *The Business Owner* Article Series:

- **Income Statement** (March-April issue)
- **Balance Sheet** (May-June issue)
- **Statement of Cash Flows** (this issue)

Operating Activities: This section of the statement of cash flows reports the amount of cash generated or consumed by the operations of the business over a period of time. The "operations" are considered to be all activities of the business outside of financing activities (activities involving interest bearing debt and equity capital) and investing activities (activities involving the purchase and sale of long term assets such as furniture, equipment and real estate).

Operating activities are the primary sources of cash for established, healthy businesses. It is the essential source of cash for businesses that wish to remain in business long term. This calculation of cash flow from operations, which occurs in the first section of the statement of cash flows, simply entails adding non-cash expenses (depreciation and amortization from the income statement) back to net income (also from the income statement) for the period being analyzed; and then adjusting the result for changes in current assets and current liabilities. Remember, changes in current asset levels and current liability levels impact cash flow, dollar for dollar. See the sample Cash Flow Statement on page 15.

Investing Activities: Companies must continually invest in their productive assets such as equipment and facilities, especially during times of growth. Increases in long-term assets consume cash (e.g.

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- Is Selling Your Business Really the Answer?
- Patents and Patent Law
- *Avoid Marketing Mayhem:* Establish Your Brand Vision
- How to Keep Legal Costs Down
- *Econ Bits:* U.S. Budget Deficit and U.S. Debt
- Ten Great Reasons to Get Better at Sales

Special SBA Section:

- US Small Business Administration (SBA)
- Small Disadvantaged Business (SDB) Program of the SBA
- Could the U.S. Government be Your Next Big Customer?
- SBA Loans
- *SBICs:* SBA Backed Venture Capital
- Certified Woman Owned Small Business (WOSB) Programs
- Did You Know?

The Reference Source

for owners of small and mid-size businesses and the professionals who advise them ... since 1975.

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From The Editor

David L. Perkins, Jr.

Dear Subscriber:

The "dog days of summer" are often dog days for business. Customers take vacations and tend to be a little less focused on helping you meet your sales targets. Don't fret, they will return. When summer ends they'll be anxious to get decisions made, including purchases.

In the mean time, take for yourself a little time to reenergize … and get ready to close the year with conviction. Prepare your team for the same. Set goals and provide incentives for doing so.

This issue of *The Business Owner* offers considerable information of use to you. The cover article explains in detail what is possibly the most informative but often the least used of the three financial statements – the statement of cash flows. For a business owner, cash is king. The statement of cash flows tells you exactly what is happening to your cash.

Also included is an overview of the Small Business Administration (SBA) and its many programs available to you. At the very least, understand the scope of their loan guarantee program and consider the government as a potential customer. You suffer consequences of bloated government spending (high taxes!) … consider taking advantage of it!

Sincerely,

David L. Perkins, Jr.
Publisher and Editor

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Kathy Piersall, A Blue Moon Arts, production editor

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BUY / SELL A BUSINESS

Is Selling Your Business Really the Answer?

Talk to any experienced mountain climber and he or she will tell you that pre-climb planning is every bit as important as skilled maneuvering during the climb itself. The climber defines where he is going, how he will get there, and anticipates the challenges he'll face along the way. He prepares strategies for overcoming or dealing with such challenges and makes careful plans to avoid pitfalls. Finally, the climber will constantly monitor the environment (i.e. weather) in which he will be performing.

When selling a business, preparation and planning is imperative. If you are not an expert at business sales, an experienced guide is essential. Even for the few business owners that are skilled in private company purchases and sales, utilizing a skilled representative is wise. Why? Representation simply works.

Look at any important negotiation that takes place in our society today – the courtroom, politics, professional sports – and you will find skilled representation. Why? Negotiating for oneself simply is less effective. The reason can be attributed to many things, not the least of which is the emotion that can get in the way with self-representation.

Case in Point: Many business owners become such because of a "take charge and take action" mentality. So, it is not a surprise that many business owners will pick up the phone, call their customer or vendor, and suggest they "work out a deal." This temptation should be avoided as preparation is needed to maximize value and important business relationships could be damaged in the process.

NEED ANALYSIS

The first step in preparing a business for sale is need analysis. You must be able to answer the question, "What do I want to accomplish, and why?" The only rational reason to embark on any endeavor is to accomplish something of value. So, what is it? Is there some place you want to be other than where you are today?

The needs of any particular business owner will change over time. Often these changes cause the business owner to decide to sell. If a business was formed as a means to create financial security for its founder, there may come a day when the financial security of the owner is secured. Mission accomplished. The business owner will then have to find new motivation for his hard work and trouble.

Sometimes needs change in less desirable ways, such as when he or she experiences health problems. What good is financial security if you are not healthy … or not alive!

Analyzing needs, or motivation, may also help explain the relationship challenges characteristically encountered between founder and successor. The prototypical founder spent his (or her) adult life fighting to secure and retain financial security, while his son (or daughter) has always enjoyed financial comfort. The son may not see the challenges, or urgency, or fear, as does his father. Without ever having experienced the pain of poverty, the son and successor may be more concerned with

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Patents and Patent Law

The word "patent" is one of the most commonly "thrown around" words in American business. It is universally understood as something of value. It is not, however, quite that simple.

Patent law is complex and not well understood by the general public. At the same time, there is an emotional, almost romantic association with the concept. For persons hoping they have developed something "patentable," there are often dreams of riches. Unfortunately, this intersection of complexity, misconception and dreams of riches often means wasted money and, as one should expect, scam artists.

History and Background of Patent Law

A patent is a type of intellectual property. The word patent means, "to be open" or "open to the public." When a patent is filed, it is made available to the public so that all of society might enjoy the benefits, learn from and improve on the technology.

The first patents were granted in Great Britain. The Queen would bestow on a person the exclusive right to sell and set the price for a particular product. The first patent granted in the United States was pre-Declaration of Independence by the Massachusetts Bay Colony for a process for making salt.

Thomas Jefferson is given credit for pushing a patent provision into the U.S. Constitution. It is found in Article 1, paragraph 8, as follows:

> "Congress shall have the power … to promote the progress of science and useful art by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries."

What is Patentable?

U.S. law provides that a U.S. patent may be issued to any person who "invents or discovers any new or useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof …" that is "non-obvious". The U.S. patent office issues three types of Patents:

Utility Patent: issued for a new or useful process, machine, article of manufacture, or compositions of matter.

Design Patents: issued for a new, original ornamental design for an article of manufacture.

Plant Patents: issued for a new invention or discovery of an asexually reproduced, distinct and new variety of plant.

Where to Obtain a Patent

Most every country has a patent office. In the US, the U.S. Patent and Trademark Office (USPTO), under the U.S. Department of Commerce, grants patents. The Patent Cooperation Treaty (PCT) coordinates patent rights between 140 countries and provides a mechanism for establishing patent protection in countries outside the U.S. Particularly, a patent filed in the U.S. will be granted protection in participating countries if an appropriate filing is made within 12 months of U.S. patent office granting of the patent.

What a Patent Provides

Quoting from the U.S. Patent and Trademark Office's website, www.uspto.gov:

> "A patent for an invention is the grant of a property right to the inventor."
>
> "The right conferred by the patent grant is … the right to exclude others from making, using, selling, offering for sale in the United States or importing the invention into the United States."

Generally, a new patent is for 20 years from the date on which the application for patent was filed in the United States. An extension may be obtained under certain circumstances. A U.S. patent grants protection in the U.S. and its territories and possessions only. A person desiring a patent in a foreign country must make application in that country. In most foreign countries, publication of the invention before the date of the application will disqualify the application.

You think you have something that is patentable?

If you think you have something that might be patentable, here is what you should do:

1. ***Keep a Journal:*** As you work on your invention, keep a journal of your work, thoughts and methods. Periodically show the journal and your developing invention to someone that has the capacity to understand your writings, drawings and usefulness or utility of the work. Such a person should not be a close friend or relative, and should be someone you trust and that has first signed a non-compete agreement similar to that which can be found in the members only section of www.TheBusinessOwner.com (click on "Useful Links").
2. ***Is it Patentable?*** To investigate, consider the information in this article and go to www.uspto.gov to learn more. In summary, in order for an invention to be patentable it

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***Patents and Patent Law,* continued from page 4**

must be new, which means that it must not have been patented or described in a printed publication in this or any other country, nor may it have been in public use or on sale in this country.

3. ***Find a Patent Attorney or Agent:*** If you think your invention meets the criteria, find a patent attorney or agent that has experience, good references, and with whom you are comfortable. Discuss your invention and whether it is patentable.

   It is important to know, that while a patent may be obtained by persons not skilled in the particular work, there would be no assurance that the patent obtained would adequately protect the invention. The implication is that HOW the patent is written is just as important IF it is granted. A poorly written patent may be worthless.

   The USPTO maintains a register of attorneys and agents at http://www.uspto.gov/web/offices/dcom/olia/oed/roster/index.html. To be listed on this register, a person must comply with the regulations prescribed by the office. Persons who are not recognized by the USPTO for this practice are not permitted by law to represent inventors before the USPTO.

4. ***Complete Your Invention:*** Once completed, utilize the knowledge that you have gained about the patent process and commercialization, and give deference to the advice of your skilled, experienced and trusted patent attorney or agent.

To Patent or Not to Patent

A patent is not a 'be all and end all.' Many inventors or inventing companies choose not to patent their invention but rather move directly to commercialization (i.e. making or selling the invention for monetary gain). Here are some reasons why:

Money: Application, filing and attorney's fees can easily run $3,000 to $12,000. Then, if someone violates your patent rights, you'll need to spend money to take legal action.

Time: It usually takes at least two years to go through the patent process and receive approval.

Secrecy: Once a patent is granted, the world has access to the details of your design or invention. A common complaint is that others are then able to study your invention, change it slightly and then offer a similar product in the marketplace. Given this, many deem the process to be flawed to the extent that the patent does more harm than good. Likely, this issue hinges on the invention at issue, so discuss your concerns with a knowledgeable attorney or agent. For example, Coca Cola Company has chosen not to patent the formula for Coke.

Patent-Related Scams

There are persons and organizations that prey on the hopes and dreams of inventors. The typical scam is a promise of unrealistic quick riches in exchange for money up-front. The patent experts that contributed to this article said that they know of NO "invention services houses" that are reputable.

If you are considering hiring a company to assist you, instead of an attorney, read the "Scam Prevention Brochure" published on the www.uspdo.gov site. You will also find a list of invention promotion companies with any complaints filed against them at www.uspto.gov/web/offices/com/iip/data.htm#LicensePromotio). Or, call Cathie Kirik at 866-767-3848.

You should also call the Better Business Bureau office located in the headquarter city of the firm you are considering hiring, to inquire about complaints.

Commercializing Your Patented Invention

The Inventor's Assistance Program (OIP) (formerly the Office of Independent Inventor Programs) was established in March 1999 in order to meet the special needs of independent inventors, and a section of the USPTO website is devoted to independent inventors (see "Independent Inventor Resources").

The OIP also offers educational and outreach programs, either alone or in conjunction with local Patent and Trademark Depository Libraries, independent inventor organizations, and Small Business Development Centers. These programs cover all aspects of the patent and trademark application process. They also hold an annual conference for inventors titled the "Annual Independent Inventor's Conference." It will be held in Concord, NH this year, August 20th and 21st.

HOW the patent is written is just as important IF it is granted. A poorly written patent may be worthless.

Patent Attorneys Greg Carr (GCarr@carrip.com) and Ted Shiells (TShiells@carrip.com) graciously lent their expertise for this article, as did Cathie Kirik of the U.S. Patent and Trademark Office. ❑

"New from accounting, sir. Two and two is four again."

Avoid Marketing Mayhem: Establish Your Brand Vision

People have a choice about from whom to buy. Whom do they choose? They choose the one who offers the greatest benefits and the least risk. How does one know which company offers the best balance of these factors? They don't *know*. Largely, they guess … based on their beliefs and impressions, largely on their perception of your "brand."

What is a Brand?

A "brand" is simply a word used today to describe what people think about your company. What they "think" includes explicit and implicit feelings, impressions and beliefs. Examples include "serious," "smart," "dependable," "assertive," "rude," "incompetent," "rugged," "too expensive," "cheap" and "cool."

Do You Have a Brand?

Every person and every business has a brand. For your business, your company brand is created in the minds of customers and prospects with each exposure they have to your business' service, materials, products, messages, employees, ownership, logo, tag line, marketing materials, products, performance, stories, phone answering skills, website, word-of-mouth, building appearance, newspaper articles, etc.

It Starts with Brand Vision

Brand vision is what the business owner wants his or her company's brand to be. It's the business personality and core values that are built into the business. Companies with a clear brand vision can develop a strategy to ensure that the marketplace hears, sees and learns who you are, for what you stand, and what they can expect from you and your business (i.e. your brand). This approach is far superior to simply allowing your brand to develop 'on its own' without your conscious and proactive involvement.

Benefits of A Strong Brand Vision

The key benefits to a clear brand vision are:

- **Marketing Clarity:** A strong brand vision means that you know who you are, for what you stand and what customers can expect from you. It is this that you want to communicate in your marketing efforts. As such, you'll be able to make marketing decisions more quickly and easily.
- **Higher Revenue:** Only through brand vision clarity can a strong brand be developed. A strong brand means more sales as prospective customers become attracted to who you are and for what you stand ... even before it is time for them to choose between vendors.
- **Lower Costs:** When you have a brand vision you will no longer waste time attempting to dream up marketing messages that are far afield. Your choices are narrowed to things that effectively communicate your brand vision. Similarly, you will waste less money on marketing programs that are ineffective. Instead, you will get more for your money as your communications are consistently focused on creating your pre-established winning brand.

The ABC's of Good Branding

In crafting your brand vision, bear in mind three key elements of good branding:

Element 1: *Appropriateness* – Your brand vision must be appropriate for your target audience. You need to understand your customers' expectations and values and "be something" that will appeal to your audience. For example, if you sell skateboards is it a "cool" brand that offers the most potential, or is it "high performance"? If you

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About the Publisher

David L. Perkins, Jr. owns, writes, edits and publishes *The Business Owner*, the newsletter of choice for over 25,000 business owner subscribers that are serious about building wealth through successful private business ownership.

Mr. Perkins draws editorial ideas and inspiration from his daily work as a merger and acquisitions consultant, where he has advised on over 100 purchase/sale transactions involving both private and public companies. His M&A consulting firm is Vercor, LLC, which he co-founded in 2001. Vercor has seven U.S. offices and five European affiliate offices. Vercor specializes in sell-side representation of businesses valued between $2 million and $75 million (see www.VercorAdvisor.com).

Mr. Perkins holds a Bachelor of Psychology degree from the University of Oklahoma and a Master in Business Administration degree from the University of Notre Dame. He has formal training in business valuation, is a Certified Business Intermediary, and is a licensed real estate broker. He also editorially pulls from prior experience in commercial real estate leasing and brokerage, commercial bank lending, and private company financial management.

David L. Perkins, Jr. is the author of A Concise Overview of Business Valuation and co-author of The Business Sale, An Owner's Most Perilous Expedition. Both may be purchased at www.TheBusinessOwner.com.

When time allows, Mr. Perkins will accept engagements to speak to groups of business owners on topics within his areas of expertise, including buying a business, selling a business, business valuation, strategic planning and financial self-assessment for the business owner.

David L. Perkins, Jr. and his staff stand ready to serve you and yours in the following areas:

- Assistance with the purchase, sale or valuation of a mid-size private company (see www.VercorAdvisor.com)
- Individual subscription to *The Business Owner* (see www.TheBusinessOwner.com)
- Custom newsletter solutions including private labeling of *The Business Owner* newsletter for organizations that serve owners of private businesses (see www.NewsletterMarketingSolutions.com)
- Keynote address and/or breakout sessions for your conference, trade show or annual meeting (see www.DavidLPerkinsJr.com)
- Independent board director position for your company board (see www.DavidLPerkinsJr.com)

Call 800-634-0605 or email David@DavidLPerkinsJr.com.

How to Keep Legal Costs Down

Every business person will run into situations where he or she is wronged or are accused of having wronged another. Legal expenses can quickly get out of hand. A great and valuable skill of any business person is the ability to work out problems before they get out of control, and savvy for keeping legal costs down. Here is how:

1. Avoid hiring an attorney: Only hire an attorney when you have no better option. If it is a dispute, try to work it out yourself. If it is a legal document you need, consider using a standardized form such as a lease agreement, sales contract, confidentiality agreement, etc. These forms are available at business supply stores and various places on the Internet such as legaldocs.com or officedepot.com. However, be cautious of the source. Use forms issued by reputable, well known companies.
2. Know when to hire an attorney: There are more costs to consider than legal costs. Sometimes, the cost of not hiring one can be greater. This is the right time to obtain counsel. Times when you are in over your head in a legal issue or the financial risk is greater than you can bear. Another good time is when the loss of your time dealing with the situation solo is more costly than the attorney's fee.
3. Have a Lawyer Friend: Impromptu access to an "attorney friend" for a quick answer to a question or a "letter from my attorney" can be extremely valuable. Such a person should be a skilled lawyer, preferably more of a generalist, and have good practical sense. He or she should be a friend, care about you and your business, and partner with you in getting the most for your legal dollar.
4. Interview Candidates: Some people are intimidated by lawyers. This is not a recipe for an effective relationship. One way to start the relationship on an equal footing and negotiate the most favorable terms is to interview several lawyers for the legal task at hand. Let each know that you are interviewing others and ask each to make their case for getting the business. This will set the tone that you are the client and the lawyer is the vendor. Lawyers are in a service business. You need someone that works to understand you, your case, your concerns and your budget and then works to keep you happy.
5. Hire Right: If your case has any size or importance, you want a lawyer that is skilled and experienced in the particular type of case at issue. You also want a lawyer that enjoys working with and appreciates clients like you. Generally, if you are a small company, a firm that spends most of its time working with large corporate clients might not be the best for you.
6. Junior and Senior Attorneys: If your case is handled by a firm of any size, request details of who and what status of lawyer will be working on your file, i.e. who will supervise and be your contact; and who will actually carry out the various levels of work on your file. The point being each step won't require a senior lawyer, so there may be no need to incur high charge out rates on all the work undertaken.
7. Go for a fixed fee: For routine legal matters, you can sometimes negotiate a fixed fee. Remember, you never know until you ask. If you take this route, be careful about paying the entire fee upfront. It is always better to space payments out over the time that service is provided. That way, you have stronger recourse if you become unhappy with the performance of your attorney.
8. Start with a Clear Plan and Budget: As with any relationship, it is important for the parties to start out with a clear understanding of roles. Take extra time to make sure you both understand the case, what needs to be done, how much it might cost, how you will be charged, expected timing of payments, who is responsible for what tasks, updates, contingency plans, etc.
9. Communication is key: Open communication in a partnership-like relationship can help avoid wasted time and money. Your lawyer should promptly return your calls and professionally handle your questions with clear and specific answers that you can understand. If you are getting nebulous answers, don't understand or feel uncomfortable, express it. If things don't improve, find another attorney.
10. Stay Involved: Clients who stay involved, forcefully participate in the case, and venture to learn the procedure in which they are embroiled can lower the cost of the lawsuit by a sizable amount.
11. Manage Yourself: Your own discipline, or lack thereof, can substantially impact expenses. For example, if you pick up the telephone to call your attorney each time a question occurs to you, you produce added expense. It is best to bundle your questions into a single phone call. Even better might be to email or fax them to the paralegal or legal secretary. They might be able to handle some of the non-legal questions, thereby lowering your costs.
12. Don't Fight for Spite: One sure way to waste money on legal expenses is to get emotionally involved – letting negative emotions such as hostility, anger and revenge drive your decisions. A calm, objective attitude can allow a rapid resolution of your case. Whatever you do, don't attempt to inflict punishment through the legal system. No one wins except the attorneys. ❒

"It's the willow that survives the hurricane."

US Small Business Administration (SBA)

The Small Business Administration (SBA) is a government agency with the following mission:

Maintain and strengthen the nation's economy by aiding, counseling, assisting and protecting the interests of small businesses, and by helping families and businesses recover from national disasters.

History of the Small Business Administration (SBA)

The Reconstruction Finance Corporation (RFC) was created by President Herbert Hoover in 1932 to alleviate the financial crisis of the great depression. It was the beginning of what is now the SBA. The RFC was basically a federal lending program for all businesses hurt by the depression, large and small. It was adopted as the personal project of Hoover's successor, President Franklin D. Roosevelt.

Concern for small business intensified during World War II when large industries beefed up production to accommodate wartime defense contracts and smaller businesses were left unable to compete. Congress responded by creating Smaller War Plants Corporation (SWPC) in 1942 to provide direct loans to private entrepreneurs, encourage large financial institutions to make credit available to small enterprises, and advocate small business interests to federal procurement agencies and big businesses.

SBA Mission: " ... aid, assist, counsel and protect the the interests of small business."

The SWPC was dissolved after the war, and its lending and contract powers were handed over to the RFC. At this time, the Office of Small Business (OSB) in the Department of Commerce also assumed some responsibilities that would later become characteristic duties of the SBA. Its services were primarily educational. Believing that a lack of information and expertise was the main cause of small business failure, the OSB produced brochures and conducted management counseling for individual entrepreneurs.

During the Korean War, Congress again created a wartime organization to handle small business concerns – the Small Defense Plants Administration (SDPA). Its function was similar to that of the SWPC, except that ultimate lending authority was retained by the RFC. The SDPA certified small businesses to the RFC when it had determined the businesses to be competent to perform the work of government contracts.

When the Korean War ended, the RFC was abolished, but some of the important small business assistance programs were rolled into a newly created organization called the Small Business Administration via the Small Business Act of 1953. The SBA's function was to "Aid, counsel, assist and protect, insofar as is possible, the interests of small business concerns." The charter also stipulated that the SBA would ensure small businesses a "fair proportion" of government contracts and sales of surplus property.

Since 1953, nearly 20 million small businesses have received direct or indirect help from one or another SBA programs. From 1991 through 2000, the SBA helped 435,000 small businesses get more than $94.6 billion in loans; more than in the entire history of the agency before 1991. No other lender in this country, perhaps no other lender in the world, has been responsible for as much small business financing as the SBA has during that time. SBA's current business loan portfolio of roughly 219,000 loans worth more than $45 billion makes it the largest single financial backer of U.S. businesses in the nation.

The U.S. government purchases $600 billion each year from private U.S. businesses. Why not yours?

In 2003 alone, the SBA backed more than $12.3 billion in loans to small businesses. More than $1 billion was made available for disaster loans and more than $40 billion in federal contracts were secured by small businesses with SBA's help. Moreover, since 1958, the SBIC has put more than $30 billion into the hands of small business owners to finance growth.

The SBA claims, "There are those who argue that big businesses, profiting from economies of scale, can produce far more efficiently than small businesses. However, small business is where the innovations take place. Swifter, more flexible and often more daring than big businesses, small firms produce the items that line the shelves of America's museums, shops and homes. They keep intact the heritage of ingenuity and enterprise and they help keep the American dream within the reach of millions of Americans."

Over the years, the SBA has grown in terms of total assistance provided including its array of programs tailored to encourage small enterprises in all areas. Programs now include:

- Financial assistance.
- Federal contract procurement assistance.
- Management assistance.
- Specialized outreach to women, minorities and armed forces veterans.
- Loans to victims of natural disasters.
- Specialized advice and assistance in international trade.

As a US citizen, portions of your tax dollars go towards supporting SBA programs. These programs are designed to support you and your business in various ways. You should take the time to familiarize yourself with the SBA programs and at least consider including the US government as a potential customer. After all, they purchase $200 billion in goods and services each year from private businesses! Why not yours? ❑

SBA

Small Disadvantaged Business (SDB) Program of the SBA

The U.S. Small Business Administration (SBA) offers special assistance to socially and economically disadvantaged entrepreneurs through their 8(a) Small Disadvantaged Business (SDB) program. The purpose is to help qualifying companies "gain access to the economic mainstream of American society." Assistance is available in various forms including help in "gaining a foothold in government contracting." Federal agencies are encouraged to award a certain percentage of their contracts to SDB's.

Participation in the SDB program is divided into two phases totaling nine years: a four-year developmental stage and a five-year transition stage. In fiscal year 1998, for example, more than 6,100 firms participated in the 8(a) Program and were awarded $6.4 billion in Federal contract awards. That's an average of $1 million to each company!

Benefits of the Program

8(a) participants may take advantage of specialized business training, counseling, marketing assistance, and high-level executive development provided by the SBA and its resource partners. The overall program goal is for participants to graduate and go on to thrive in a competitive business environment.

SBA district offices monitor and measure the progress of participants through annual reviews, business planning, and systematic evaluations, and 8(a) companies may also be eligible for assistance in obtaining access to surplus government property and supplies, SBA-guaranteed loans, and bonding assistance. Finally, a new Mentor-Protégé Program provides starting 8(a) companies a means by which they can 'learn the ropes' from experienced business owners.

Eligibility Requirements

To qualify for the program, a small business must be owned and controlled by a socially and economically disadvantaged individual or located in an economically disadvantaged area. Under the Small Business Act, certain presumed groups include African-Americans, Hispanic Americans, Asian-Pacific-Americans, Native-Americans, and Subcontinent-Asian-Americans.

Other individuals can be admitted to the program if they show through a "preponderance of the evidence" that they are disadvantaged because of race, ethnicity, gender, physical handicap, or reside in an environment isolated from the mainstream of American society. In order to meet the economic disadvantage test, all individuals must have a net worth of less than $250,000, excluding the value of the business and personnel residence.

Successful applicants must also meet applicable size standards for small business concerns; be in business for at least two years; display reasonable success potential; and display good character. Size requirements vary depending on services provided by the company. Contact the SBA to inquire.

Investigate Your Eligibility Today

If you have any reason to believe that you might quality for the program, investigate. Your tax dollars pay for it and it is there for you for every good reason. And, given the potential benefits, its might be well worth your time and effort. ❒

> **"No discipline seems simple at the time ... but it's painful."**
>
> *Bobby McFerrin*

SALES

Could the U.S. Government Be Your Next Big Customer?

The U.S. Government purchases some $200 billion in goods and services each year from private businesses located in the United States. Businesses like yours. Are you getting your share?

Sure, the U.S. Government is a strange and possibly difficult customer. Oh, you don't have any strange and difficult customers now, right? Of course you do. Want another one? Sure you do.

Learn how to sell to the U.S. Government and you might find a significant source of new revenue, customer diversity and profitability. Those that have done so tend to say that, once you become familiar with doing business with the government, it's not a bad customer at all. In fact, the prevailing ignorance of how to do business with the government soon turns to your advantage.

The Office of Government Contracting (GC) is the agency that coordinates government purchases. To foster equality between large and small companies, each government agency establishes small business goals in terms of a percentage of annual expenditures. Currently, the overall small business goal is 23 percent. This includes the specific goals of five percent to Women-Owned Small Businesses (WOSB), three percent to service disabled veterans, five percent to small disadvantaged businesses (SDBs), etc.

Each agency reserves specific procurements exclusively for small business participation. These transactions are called "small business set-asides."

GC administers several programs and services that assist small businesses in obtaining government contracts. These include the Certificate of Competency, the Non-Manufacturer Rule Waiver, and the Size Determination program. The office also oversees special initiatives such as the Women's Procurement program, the Veteran's Procurement program, the Procurement Awards program, and the Annual Joint Industry/SBA Procurement Conference. Interested? Go to the government contracting website, www.sba.gov/gc, to learn more. ❑

SBA Loans

Every business owner has heard about SBA loans. Many, no doubt, have obtained SBA funding. This article summarizes the SBA loan programs – an important source of capital for small businesses.

What most people refer to as "an SBA loan" is simply a loan (debt capital), obtained by a business through a lending institution, which is guaranteed (in part) by the U.S. Government. The loan guarantee is for the benefit of the lender and reduces, to some extent, the lender's exposure in the event that the loan becomes uncollectible. In doing so, the lender becomes more willing to grant a loan that they might not otherwise.

Statistics show that roughly 90% of all U.S. businesses are eligible for SBA guaranteed loans!

SBA loans are available to qualifying companies, generally small businesses. SBA loan guarantees can be used to cover loans starting from $25,000 to $2,000,000 for both start up and established businesses. Loan proceeds can be used for "most sound business purposes including working capital, machinery and equipment, furniture and fixtures, land and building (including purchase, renovation and new construction), leasehold improvements, and debt refinancing (under special conditions)." Loan maturity is up to 7 years for working capital and generally up to 25 years for real estate.

The 7(a) loan program is SBA's primary and most flexible business loan program. Specialized programs exist as well, such as the following:

- Certified Development Company (CDC), a 504 Loan Program: Provides long-term, fixed-rate financing to small businesses to acquire real estate or machinery or equipment for expansion or modernization. The maximum SBA debenture generally is $1 million (and up to $1.3 million in some cases). This program is unique in that it is delivered through private, nonprofit corporations set up to contribute to the economic development of their communities or regions. (see www.sba.gov/financing/sbaloan/cdc504.htm)
- Microloan, a 7(m) Loan Program: Provides short-term loans of up to $35,000 to small businesses and not-for-profit child-care centers for working capital or the purchase of inventory, supplies, furniture, fixtures, machinery and/or equipment. These loans are obtained from specially designated intermediary lenders (nonprofit organizations with experience in lending and in technical assistance). See www.sba.gov/financing/sbaloan/microloans.htm for more information.

Of course, the "knock" on the SBA loan program has long been large amounts of paperwork and substantial delays in approval and funding. This is no longer the case.

If you need to borrow, find an SBA lender. To do so, simply call your banker or find an SBA lender by contacting your local Small Business Administration office or Small Business Development Center (SBDC) office. Keep in mind that any lending institution can apply to the SBA to have your loan request guaranteed or "backed". However, there are good reasons to use a lender that is experienced with SBA loans. In fact, the SBA has institutions with which they work with very closely:

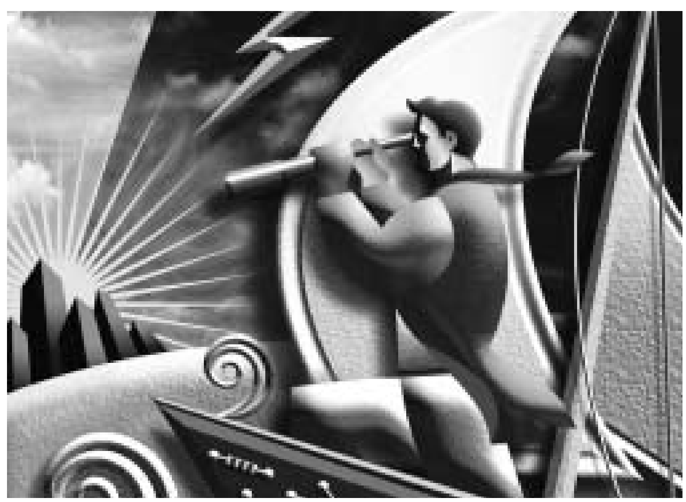
Certified Lenders: Lending institutions designed as "Certified SBA" have undergone special training; their applications receive preference over those submitted by non-certified lenders; and the SBA guarantees a 3 day turn around on loan approval.

Preferred Lender: Lending institutions designated as "Preferred" have been granted unilateral authority to approve SBA loans (i.e. they don't have to submit an application to SBA for approval!) Generally, preferred lenders have dedicated SBA lending departments and are more seasoned in SBA lending and the related rules and regulations.

Could You Qualify for an SBA Guaranteed Loan?

Statistics show that roughly 90% of all U.S. businesses are eligible for SBA guaranteed loans! The requirements do vary, however, depending on the type of business you are in. Even businesses that most of us would consider to be quite large will qualify, in most cases. For example, manufacturers with as many as 1,500 employees are eligible.

If you are a for profit business in the U.S. and you need financing, look into the SBA loan programs. You may not need the SBA program to get money, but by doing so you might be able to get cheaper, more flexible or longer term funds. Who can argue with that? ❑



We must become experts at what we do if we are to receive the rewards life has to offer."

Brian Tracy

SBICs: SBA Backed Venture Capital

The Small Business Investment Company (SBIC) program, part of the U.S. Small Business Administration (SBA), was created in 1958 to fill the gap between the availability of venture capital and the needs of small businesses in start-up and growth situations.

Small Business Investment Companies (SBICs), licensed and regulated by the SBA, make "venture capital" investments in small businesses. The incentive for each SBIC / venture firm is to share in the success of the small business in which they invest.

How An SBIC Works

Most SBICs are owned by relatively small groups of local investors, although many are owned by commercial banks. The foundation of an SBIC is its management team - people with solid venture capital expertise and capital. An SBIC can be organized in any state, as either a corporation, limited partnership (LP), or a limited liability company (LLC). Some SBICs are corporations with publicly traded stock.

Venture capitalists associate with the SBIC primarily to gain access to matching funds at favorable rates from the federal government. An SBIC may receive government backed loans equal to 300 percent of its private capital, up to $113 million.

By law, the SBIC must provide equity capital to small business concerns, and may do so by purchasing the small business concern's equity securities. SBICs can also make long-term loans to small businesses.

If You Are A Small Business In Need of Capital

Small businesses are able to receive equity capital, long-term loans and expert management assistance from SBIC backed venture capital firms. SBICs, by nature, are willing to tolerate more risk than traditional lenders such as commercial banks. They are more flexible on their loan and investment terms, and they typically are more interested in longer term growth and associated appreciation in the value of their equity ownership rather than in simply earning an interest rate.

Entrepreneurs have three sources to search for active SBICs. The first is the SBIC directory - a U.S. map on the SBIC homepage at www.sba.gov/inv. Just click on the state or states where your company is located. The second source of SBIC information is under the member listing of the National Association of Small Business Investment Companies (NASBIC) at www.nasbic.org. The third source is the National Association of Investment Companies (NAIC) website at www.naicvc.com.

If You Wish to Start an SBIC

The two primary criteria for licensure as an SBIC are qualified management and sufficient private capital. The SBA reviews and approves prospective management teams based upon both their professional capabilities and character.

SBA requires a minimum private capital investment of $5 million. A minimum of 30 percent of this capital must come from sources unaffiliated with the fund management. An SBIC may invest no more than 20 percent of its private capital in securities, commitments and/or guarantees for any one small concern. ❑

Certified Woman Owned Small Business (WOSB) Programs

The federal government has long had a goal of purchasing from women owned small businesses 5% of its $200 billion in total annual small business purchases. Despite continued growth in the number and economic impact of women-owned firms, the 5% goal has never been achieved. It has, however, steadily grown to around 3% in recent years. The growth is due in large part to the extensive programs offered by the U.S. Small Business Administration to assist women entrepreneurs.

The SBA assists women business owners through their Office of Women's Business Ownership (OWBO). OWBO programs include business management training, technical assistance, broadened access to credit and capital, federal procurement support, international trade opportunities, and much more.

Certification Requirements: Federal Acquisition Regulations (FAR) define a "Women-owned small business concern" as follows:

- At least 51 percent owned by one or more women, and
- Management and daily business operations controlled by one or more women."

Certification as a Women Owned Business is free. Do so at the SBA's PRO-Net database, which is used extensively by both federal agencies and large contractors that are seeking small businesses from whom they can purchase and hit their own incentive targets. Access the PRO-Net website at http://pro-net.sba.gov.

A women's business ownership representative can be found in every SBA district office. The OWBO also sponsors a nationwide network of mentoring roundtables, maintains women's business centers in nearly every state and territory, and hosts the Online Women's Business Center (www.womenbiz.gov). ❑

Did You Know ?

The U.S. Government purchases $200 billion in goods and services each year from private businesses located in the United States. 23% is targeted to be bought from small businesses.

***Is Selling Your Business Really the Answer?*, continued from page 3**

quality of life, recognition, hobbies or "the environment." Viewed in this light, it is easy to see how two generations can have trouble communicating. Steven Covey calls these "paradigms." The father and son have different paradigms.

Again, before one begins the process of selling a business, the owner must first ask himself what he or she is trying to accomplish, and why. Personal issues drive the business sale decision. Write yours down. To get you started, here are some need analysis statements of other sellers. They are each very clear in what the business owner wants to accomplish, on a personal level. Yours should be as well.

Examples of Actual Need Analysis Statements:

I can't keep working this hard. I am experiencing health problems and need to slow down.

I don't enjoy my job anymore. I'm sick of the employee hassles and turnover. I am burned out and need to make a change.

My business is struggling financially and I'm scared that it might fail. I don't want to lose any more of the financial wealth that I have built.

My key, long-time general manager has resigned. I can't run this business without him.

Competition is getting stiffer and stiffer. Consolidation in my industry is creating huge competitors with significant resources and power. The future does not look bright for a small company like mine.

You will notice that none of the above need analysis statements mention selling the business. They should not. The point is to isolate what need or needs of the owner should be addressed. Selling the business is a solution, often only one of many.

SOLUTION ANALYSIS

Once your need analysis statement has been written, you can begin considering solutions. Ask yourself, "What actions could be taken that might solve my problem or address my needs or concerns?" You want to find the solution or action that meets the need with the fewest negative effects and lowest cost and risk.

It is with this assessment that a good intermediary can be invaluable. Often times the business owner does not see alternative solutions for meeting his or her needs. Again, selling the company is just one solution – a drastic one.

Let's take a look at one of the need analysis statement examples presented in the prior section and brainstorm as to potential solutions.

Example Need Analysis Statement:

I don't enjoy my job anymore. I'm sick of the employee hassles and turnover, am burned-out and need to make a change.

Solution Alternatives:

- Reduce workload by delegating more tasks.
- Delegate the human resources or managerial tasks, which may not be your strength.
- Take an occasional vacation, or two months off very soon.
- Begin stress-reducing activities, such as exercise or yoga.
- Change your business model to one that uses more automated processes rather than high numbers of employees.
- Sell a business unit that is the cause of most of the headaches.
- Sell the entire company.
- Hire or promote someone to manage the entire company.

It is important that in this solution analysis stage any and all possible solutions be written down and at least considered briefly. It is a good idea to include others at this stage of the process as different perspectives often bring different solution ideas.

Again, the goal is to find the solution or action that meets the need with the fewest negative effects and lowest cost and risk. Put each solution idea on a separate piece of paper. Add columns for "attributes," "detriments" and "costs" next to each. Take the time to fully analyze each.

The owner should allow weeks or even months for this process, revisiting and re-considering each alternative while making repeated adjustment to the attributes, detriments and costs of each. Once the "highest and best" solution is found, a mission statement should be written. Here are examples of actual mission statements written by sellers:

"Reduce my work load, stress level and number or hours worked per week by delegating more tasks to my employees."

"Respond to the rising competition level in my industry by selling to a major consolidator … while my value is still intact and the buyers are still buying and paying top dollar."

"Become a fishing guide in Florida. To enable me to do that, I will sell my business to relieve me from the demands of owning and running it and to provide me with the cash I'll need."

If you are thinking about selling your business, take some time to really investigate why. Maybe selling is not the best solution. However, if it is, find good help and do it right. You may not have a second chance. ❑

"Twenty years from now you will be more disappointed by the things you didn't do than by the things you did do."

Mark Twain

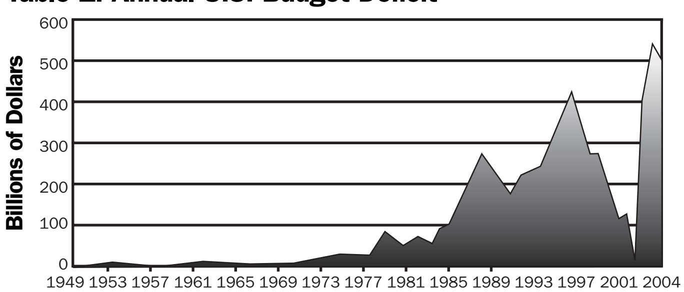
Econ Bits:
U.S. Budget Deficit and U.S. Debt

The U.S. government has revenue and expenses just like individuals and businesses. Revenue sources for the U.S. government are taxes levied on its citizens, businesses, and various activities conducted in the U.S. Expenses come from the building of roads and bridges, maintaining a national defense, employment of government personnel, providing benefits to its citizens such as Medicare, welfare, disaster relief, parks, forests, etc.

The U.S. Government also has assets and liabilities, just like individuals and businesses. Its assets are mainly land (parks and underlying mineral rights) and buildings (federal). Its debt, which is far greater than the government's liabilities, is borrowings from persons and companies (investors) … the proceeds of which were used to finance prior budget deficits.

The U.S. budget deficit can be more plainly understood if we call it a net loss. It is not a paper, "budgeted" loss, but rather a real annual deficit. The government has been spending more than it brings in … for many years. The chart below shows the annual net loss (budget deficit) of the United States. In 2004, our federal government is projected to spend ***$500,000,000,000 (that's billon) MORE THAN IT BRINGS IN***.

Table 1: Annual U.S. Budget Deficit



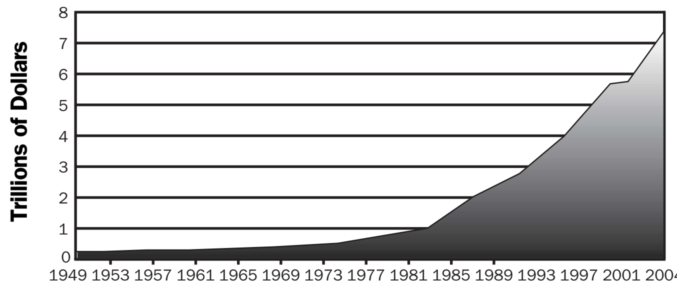
Source: US Bureau of Statistics

Given that the government spends more than it brings in, it would not be able to pay for all its spending (i.e. pay its bills) unless it borrowed money. It does so by issuing debt securities, called treasuries. It borrows 'on the free market' by enticing investors via an attractive interest rate and a low level of risk (at least as investors seem to perceive today). United States citizens, companies and institutions such as foundations purchase treasury securities, as do foreign individuals, companies and institutions.

Just as with individuals and businesses, a series of annual net losses … funded with borrowing … results in accumulating levels of debt. The following chart displays the total amount owed by the U.S. Government.

As you can see, the government owes over $7 trillion. The per capital debt (debt per U.S. citizen) is around $22,000. This does not include the sizeable obligations of our government to provide future welfare benefits to it citizens.

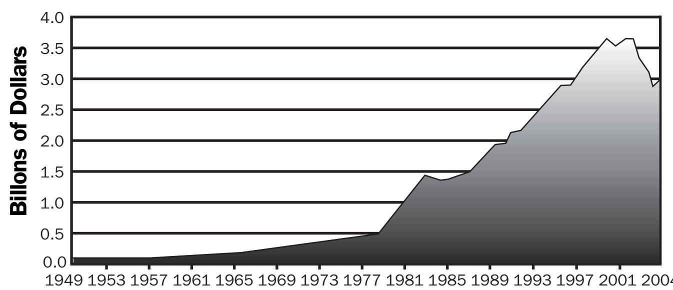
Table 2: U.S. Federal Debt



Source: US Bureau of Statistics

The annual interest expense alone on this debt is gargantuan. The chart below displays the estimated annual interest expense paid by the government since 1949. Today, it is something around $300 billion per year. The recent decline is due primarily to lower prevailing interest rates.

Table 3: Annual Interest Expense Paid by U.S. Gov't on Federal Debt



Source: US Bureau of Statistics

Actually, the annual budget deficit is quite a bit larger than reported because the government does not include interest expense as an expense. So, the government has long been unable to pay its regular expenses, much less the interest OR PRINCIPAL on its debt.

One way to look at the deficit is simply as a deferral of taxation. To fund current deficits the government could choose to raise current taxes (and thus its income) or it could borrow … which it has chosen to do. Of course, the government's ability to borrow and repay is not infinite, so at some point it will either have to balance its budget or it will become insolvent (unable to pay its debts).

To balance its budget, it will have to reduce spending or raise income, or both. Because two-thirds of the government's annual spending pays for welfare, Medicare, Medicaid, unemployment, veteran's benefits, etc. (referred to as "entitlements"), significant expense reduction could only occur with considerable disruption to individuals, especially the elderly and poor. Raising revenue can occur by two means – raising taxes or expanding the tax base.

continued on page 14

ECONOMICS

Econ Bits: *U.S. Budget Deficit and U.S. Debt,* continued from page 13

Raising the tax base means a rise in the taxable income. This occurs when the U.S. economy expands, and personal and corporate incomes rise. This is by far the most attractive option. Unfortunately, economics professionals generally agree this is unlikely as the growth rate required to have a meaningful impact on the high level of current U.S. debt would be north of six percent per year. This is simply not likely to happen.

It appears, then, that the best we can hope for is a combination of robust sustained future economic growth (usually gauged by growth in Gross Domestic Product) combined with higher future tax rates. That is, unless our government is willing to allow higher levels of inflation. High inflation means the buying power of the U.S. dollar erodes. When this occurs, the debt shrinks in real value as a dollar become worth less and less.

This option is less than desirable as it causes disruption in the economy, mainly between debtors and creditors, and it penalizes persons that hold dollars, such as retired persons. Retired persons often have fixed income. High inflation means each year their real income (what they can buy with their income) declines … so their standard of living declines. ❑

The purpose of this Econ Bits column is to simply share facts, as fairly as possible, that are basic to our economic and political lives. The intent is not to draw conclusions or render opinions but to empower the reader with knowledge that they can use as a business owner and U.S. citizen.

MARKETING

Avoid Marketing Mayhem: *Establish Your Brand Vision,* continued from page 6

sell cigars, is it “lowest prices” or “widest selection, freshly imported”?

Element 2: *Believability* – What you say you are (referred to as your brand promise) must be believable by your customers. If you promise to be the “fastest” or the “best” in the business, can you really deliver it?

Element 3: *Consistency* – You must implement your brand vision with consistency and clarity. “Good branding is boring!” says Jean Wilcox of CattleLogos Brand Management Systems. “The only way you will be able to influence people to remember you is by repeatedly using the same images and messages.”

Consistency also means that every encounter that persons have with your company must convey your brand vision. Every employee must understand the firm’s brand vision and represent and act in alignment with it. Your operations must be set up to deliver consistently in line with your brand. Failure to do so can render your efforts and expenditures worthless. A pretty logo and witty advertisements won’t make up for a rude receptionist.

First Impressions

First impressions are very important. Statistics show that within a few seconds of meeting another person for the first time we form opinions that are amazingly resilient. The same thing happens with your company. How you present your company to potential clients is as important as how you present yourself.

Explicit and Implicit

There are two facets to your brand personality: explicit and implicit. The explicit parts of your brand are the things that you actively say and do to promote it – the content of your marketing materials, your web copy and your press releases. These should be crafted to promote your key messages and, more importantly, should directly address questions that customers ask.

The implicit parts of your brand are more subliminal things that people notice. For example, *how* is your message delivered? Does the *style* of your presentations and personal communications support your brand promise or detract from it? Do the colors and images you use elicit the right kind of emotional response from your customers?

This article is the second of a nine-part article series on branding called *The ABC’s of Small Business Marketing*. Coverage will include the natural offshoots of branding: marketing, advertising and selling.

May-June 2004 Issue: *Your Marketing Message:* Back to the Drawing Board

> This Issue: *Avoid Marketing Mayhem:* Establishing Your Brand Vision

Sept-Oct ’04 Issue: *Logo and Look*: Selecting the Visual Elements that Support Your Brand Vision

Nov-Dec ’04 Issue: *Tag Lines and Ad Copy:* What You Say Should Support Your Brand Vision

Jan-Feb ’05 Issue: *Guided Missile Marketing:* Selecting Mediums with Maximum Payload

Mar-April ’05 Issue: *Marketing for Dummies?* Build in Quality Control

May-June ’05 Issue: *Master Your Marketing:* Monitoring and Feedback Enable Continuous Improvement

July-Aug ’05 Issue: *Creative Creatures:* Working with Marketing, PR and Ad Professionals

Sept-Oct ’05 Issue: *Win the Marketing Game:* Be Proactive or Perish

Jean Wilcox and Jane Cameron contributed their expertise to this article series. They are partners of CattleLogos Brand Management Systems, LLC and co-authored Abullard’s ABC’s of Branding. ❑

***If Cash is King, Why Isn't the Statement of Cash Flows?*, continued from cover**

investments). The sale of these assets generates cash. This section of the cash flow statement simply calculates the cash consumed and/or generated from these activities and displays the result for easy viewing.

Financing Activities: When cash is needed, or anticipated to be needed, businesses borrow money (debt capital) or sell ownership interests (equity capital). These activities generate cash. When this cash is invested and results in a positive cash flow from operations, the owners will typically pay down debt and return equity to the owners. These are uses of cash. The financing section of the statement of cash flows simply calculates and presents the cash impact of these activities.

CASE STUDY: The adjacent table presents the statement of cash flows for XYZ Company. As one can see, it begins with the net income reported on the income statement for the period of time being analyzed. In this case, it is the calendar year 2003 and the net income is $20,000.

As we know, net income does not equal cash flow. How often is it that you book profits but your bank balance declines? Quite frequently, I suspect. We find that this occurred with XYZ Company in 2003.

Look at the bottom of XYZ's statement of cash flows, the line titled "Ending Cash." XYZ Company ended with $23,000 in the bank. The line above is titled "Beginning Cash," and shows the $50,000 that was in XYZ's bank account (and on their balance sheet), at the beginning of the year. As you can see, XYZ earned $20,000 during the year, but its cash fell by $27,000 to $23,000. Let's see how this occurred.

Cash Generated from Operations: XYZ Company reported cash from operations of $8,000. This despite net income of $20,000. By looking at the operations section of their statement of cash flows we see that six line items appear as adjustments to net income, the net affect of which is cash flow from operations of $8,000. The line items with positive numbers indicate increases to cash flow. The line items with negative numbers indicate a consumption of cash. The net of these items, however, was a negative $12,000, leaving cash flow from operation lower than net income by this same amount.

It is important for business owners to understand how changes in balance sheet items affect cash flow. In summary, when an asset increases or a liability decreases, cash flow suffers. Conversely, when an asset decreases or a liability increases, cash flow increases dollar for dollar.

In fact, all the line items in the statement of cash flow, except net income and depreciation/amortization, are caused by changes in balance sheet assets and liabilities.

In the XYZ case at hand, we can infer from the positive $20,000 on the line labeled "trade payables" that the balance sheet item of the same name increased by this same amount. We can also infer that accounts receivable increased $30,000 on the balance sheet. This impacted cash negatively by this same amount as $30,000 in sales, which increased profit on the income statement, have not been collected in cash. If XYZ's balance sheet was provided here, we could check and see that this was the case.

Cash Generated from Investing Activities: The second section of the statement of cash flows reports net cash from investing activities. This section simply breaks out the cash effect of purchases (which use up cash) and sales (which brings in cash) of long term assets such as furniture, fixtures, equipment, buildings and land.

In our accompanying example, XYZ sold some old equipment for $25,000 (and thereby generated cash of this same amount) and purchased $150,000 of equipment (and thereby used cash of this same amount) for a net negative cash flow effect from "investing activities" of $125,000.

Cash Generated from Financing Activities: The third and final section of the cash flow statement reports the affect of activity in the interest bearing debt and equity sections of the balance sheet. Put another way, this section reports the cash impact of activities related to the borrowing and repaying of debt and equity capital. In our accompanying example, XYZ borrowed $150,000 in debt (a source of cash), paid $50,000 of debt and paid dividends of $10,000 to investors (both uses of cash).

In summary, every business owner should have a statement of cash flows prepared for their business at least monthly, along with the income statement and balance sheet. Each statement presents unique information of value and use for analysis and decision-making. The statement of cash flows is every bit as essential as the others are as it provides particular insight into that most vital commodity – cash. ❐

XYZ Company
Statement of Cash Flows
January 1, 2003 through December 31, 2003

Operating Activities:		
Net Income	$20,000	
Plus Expenses Not Using Cash:		
Depreciation	$10,000	
Plus Increases/(Decreases) in Current Liabilities:		
Trade Payables	$20,000	
Other Payables	($4,000)	
Accrued Liabilities	$2,000	
Less Decreases/(Increases) in Current Assets other Than Cash:		
Accounts Receivable	($30,000)	
Inventory	($10,000)	
CASH FLOW FROM OPERATIONS		$8,000
Investing Activities:		
Plus Sale of Equipment	$25,000	
Less Purchase of Equipment	($150,000)	
CASH FLOW FROM INVESTING ACTIVITIES		($125,000)
Financing Activities:		
Plus Borrowing	$150,000	
Minus Repayment of Debt	($50,000)	
Minus Dividends	($10,000)	
CASH FLOW FROM FINANCING ACTIVITIES		$90,000
NET CHANGE IN CASH		($27,000)
BEGINNING CASH		$50,000
ENDING CASH		$23,000

Ten Great Reasons to Get Better at Sales

Glen Ekeren wrote that all people are created with the equal ability to become unequal. Take a few seconds and let that statement soak in.

Whether or not we have the word "sales" on our business cards; no matter what position we hold; we ALL sell our company. Few of us are as good at sales as we would like. No one is as good as he or she could be.

There are many reasons for wanting to get better at sales. One good reason is to ensure that the best business day we will ever have is not one we have already had.

Here are the top 10 reasons for getting better at sales:

1. To be the best we can be.
2. To make sales a rewarding adventure rather than a repetitious cycle of anxiety, stress and boredom.
3. To consistently do great work, even with difficult customers and in the most difficult sales situations.
4. To adhere to standards of personal integrity and succeed without misleading anyone about anything.
5. To minimize wasted time and energy, especially on projects or prospects that have almost no potential for success.
6. To guide each call in a way that maximizes productivity without causing the customer to feel controlled.
7. To be regarded not as clerks or order takers but as professional consultants, guides and problem solvers.
8. To avoid prescribing before diagnosing, diving for giveaways, and other behaviors that conflict with what we know to be effective selling.
9. To be the difference when the customer sees the products as similar.
10. To ensure that the best selling day we will ever have is not one we have already had!

How do managers provide an environment that will continually nurture the mental, physical, and emotional needs of their team members to perform and develop at an accelerated rate? Acclivus Corporation has measured success by using the following equation:

The Acclivus Equation for Sales Excellence®

$$(S + K) \times (E + A) = (G + O)$$

S	K	E	A	G	O
K	N	F	P	O	B
I	O	F	P	A	J
L	W	O	R	L	E
L	L	R	O	S	C
S	E	T	A		T
	D		C		I
	G		H		V
	E				E

Tools x Process = Results

This equation simply states that to maximize results (goals and objectives), one must refine his or her sales skills, deepen knowledge of sales and the sales process, and then apply effort in the right way. For management to inspire and enable, they must take on the mindset of coaches.

If we don't INSPECT they won't RESPECT

Successful coaches understand the equation for sales excellence. They understand that employees need not only tools, but also a PROCESS that can be replicated. It is cause and effect. What happens on the left side of the equation directly effects what happens on the right.

CAUSE	=	EFFECT
Skills, techniques, approaches		Revenue, Relationships, Results

To change the effect we must modify cause. If we do nothing to enhance the cause, how can we expect to change the effect?

In today's highly competitive, complex and ever-changing environment, we are all searching for ways to differentiate ourselves from our competition. We have all heard the saying, "First your customer buys **you**, then your **company**, and then your **product** or **service**." If this is true, why don't we focus more on the development of our people? Why is our personnel development expense often the first to be cut?

What are you doing to enhance the performance and development of your team? The resources and options are boundless … books, e-learning, one-on-one development, workshops, videos, etc. Start today.

Jo Ann Crabtree is President of Choices Consulting, Inc. She can be reached at jcrabtree@choicesconsulting.net. ❑

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