



CENTER FOR ECONOMIC DEVELOPMENT

NewsWire

April 1, 2009

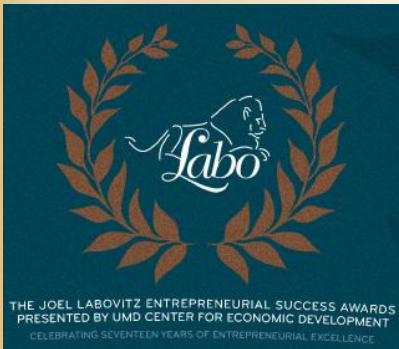
HELPING ENTREPRENEURS AND BUSINESSES GROW AND SUCCEED

A joint program of the Labovitz School of Business and Economics, Natural Resources Research Institute, and Swenson College of Science and Engineering.

PLAN TO ATTEND

17th Annual

Joel Labovitz
Entrepreneurial Success
Awards Ceremony and
Luncheon



THE JOEL LABOVITZ ENTREPRENEURIAL SUCCESS AWARDS
PRESENTED BY UMD CENTER FOR ECONOMIC DEVELOPMENT
CELEBRATING SEVENTEEN YEARS OF ENTREPRENEURIAL EXCELLENCE

This celebration honors entrepreneurs throughout our region and is presented by the UMD Center for Economic Development

Tuesday, April 21, 2009
11:30 am – 1:30 pm
Harborside Ballroom, DECC
\$25.00

For reservations:
www.umdced.com

PROFIT MASTERY



Profit Mastery Preview – enter to win free seminar attendance to the April 28-29 seminar when you attend the:

COMPLIMENTARY BREAKFAST & INFORMATIONAL PROGRAM

Wednesday, April 15, 7:30 am – 9:30 am
UMD CED Offices, 11 E. Superior St., Suite 210
Duluth, MN 55802

For complete information about this program, see page 4 of NewsWire.
To register for the Profit Mastery Preview, contact:
UMD CED . 218-726-7298 . www.umdced.com

MANAGE YOUR SMALL BUSINESS

In Tough Economic Times

Monday, March 16, 2009
by: [IPFrontline](#)

If you own a small business, you've probably been losing a lot of sleep at night while you spend your days poring over budgets, hoping desperately for a new client to walk through your doors. Indeed, with the economy in trouble, businesses everywhere are feeling the crunch, but no one is more worried than small business owners. While fear may drive you to go into survival mode and compromise your values, author Robin Fisher Roffer says do that and you may be making a huge mistake that in the long run can hurt your business far worse than the recession.

"You can't let yourself, or your business be paralyzed by fear," says Robin Fisher Roffer, author of *The Fearless Fish Out of Water: How to Succeed When You're the Only One Like You* (Wiley, 2009, ISBN: 978-0-4703166-8-9, \$24.95). "In times like these it's more important than ever to maintain your brand identity and focus on what makes your company stand out, what makes it great. You have to be what I call a 'fearless fish out of water'—shining a light on those qualities that make your company different and more desirable than the other businesses in your industry. Playing up what makes you special could be the very thing that keeps you in business."

While other companies are taking on any project that comes their way (whether it's the right fit for them or not), Roffer says that now more than ever is when you should be staying true to your company's brand by sticking to projects where you can excel.

"If you try too hard to work outside the boundaries of your talents, it will be reflected in the quality of your work," she warns. "And in an economy when new business is already hard to come by, providing less than stellar results is a sure way to put the nail in the coffin."

ARE YOU BUILDING EQUITY OR INCOME IN YOUR BUSINESS?

By Carolyn Herfurth
Stratica

An owner who builds their business for income has a job. An owner who builds their business for equity has an investment. One day someone other than yourself will be running your business. Will that successor be purchasing a job from you or an enterprise? Your eventual buyer or successor will likely be interested in knowing about the equity that you have built, not about the income that you have achieved within your business. And as the exiting owner, you want to speak in terms of equity and not in terms of income. You see, income can vary according to the personal needs of the owner-operator. However, equity can be expanded and value can be driven into your business once your focus moves to an 'equity driven' model.

Technically, 'equity' is a Balance Sheet term which is equal to your assets less your liabilities; this would reveal your owner's equity. However, we are not discussing the financial reporting within your business, we are discussing the manner in which you make operational decisions to increase the value of your business.

For example, Jim owns a distribution company and spends most of his time focusing on building strategic relationships to increase sales, as well as increasing the capacity of his business to distribute more products. Sounds simple enough. However, Jim's mindset is towards conducting these activities so that he can take a larger salary and bonus at the end of the year. Again, to most reading this newsletter, that sounds like a very reasonable objective. But there is a problem, a very predictable and obvious problem once Jim is aware of it.

MANAGE YOUR SMALL BUSINESS (CONT.)

So, what should small business owners do at a time like this? Roffer says it's time to refocus on your company's core values, to remind yourself and your employees what it is that sets your company apart from all the rest, and most importantly, to be fearless.

Read on for Roffer's seven steps to being a fearless fish out of water in the small business world, and how they will help you survive and thrive in this economy:

Go fishing for the real you. It's time to focus on what your business does better than your competition and put that out there to your clients and prospects. Maybe you're a boutique ad agency that can create any kind of campaign, but your best work is in B2B advertising. Or maybe you own a sandwich shop where you've been sticking to the basics, but your true passion and talent is in creating specialty sandwiches that your customers love.

"You have to peel away all the layers that have made you a jack-of-all-trades and focus on the area that you are truly passionate about so you can excel," explains Roffer. "That's your vein of gold. Sure, ham and cheese on rye is a guaranteed sale, but your customers can get that at any sandwich shop. Get back to being creative. That's where you can show your clients your value, and impressing your customers is how you can ensure you keep bringing in the revenue."

Use your differences as a lure. In extraordinary economic times like these, the natural tendency is to just hunker down, do the work, cut back on expenses, and try to keep as many clients as possible. Newsflash! That's exactly the kind of strategy that will hang you. Because if you're not luring your old customers back and new customers in based on something they feel they can't get anywhere else, your days may be numbered.

"Small business owners get so caught up in stressful economic times like this that they essentially just start going through the motions to keep their doors open," says Roffer. "Unfortunately, often this means they start giving their customers the bare minimum. Just enough to satisfy their order but very little of what most likely attracted the customer to you to begin with. Now is the time for you to hone in on what has always made your business great. Is it exceptional customer service, your creative flair, or organizational skills? Time spent refocusing your efforts is not time wasted. You have to prove to your clients why they should go with you over your competition and once again lure them in based on what makes you special."

Find a few fish like you. While your first instinct may be to fly under the radar right now, Roffer says that now is the time to build relationships with your clients so that you can anchor yourself in these rough seas. Rest assured that you aren't the only small business owner worried about what will become of your company in these tough times. Your clients are likely feeling just as nervous and unsure as you. Invest in some serious face time to build your client relationships. Doing so will help ease your fears and theirs.

"Now is the time to meet with your clients face to face," asserts Roffer. "Find out what attracted them to you and ask what you can do to be of further service to them. Brainstorm with them. Bounce revenue-boosting ideas off of each other. Show them that you want to be more than a vendor or a provider of a certain service. Partner with them now and not only will you make it through the recession, but you'll have an even stronger business when the seas have calmed."

Swim in their ocean your way. Every time you pitch your company to a new prospect, you are a fish out of water. When you've won them over and you finally get inside their organization, it's important to learn how to be part of their culture without getting lost in it. Remember that your clients have hired you because you bring an outside perspective, and you have talents and skills that don't already exist within their organization. It's okay to tailor your ideas to fit their particular needs or style; just make sure you hold onto the core of what makes you you.

ARE YOU BUILDING EQUITY OR INCOME (CONT.)

The problem is that Jim is not spending any time considering who would be doing his 'job' at the company in his absence. True, the company can run for a week or two as Jim takes his vacations.

Perhaps the business could even sustain for a few months if Jim were to want time off or had a physical problem that prevented him from working - these instances alone would not materially affect Jim's income. However Jim is not protecting the equity in his business with his decision making process. Jim's equity, and hence his illiquid business wealth, is at risk because Jim has not focused on his business as an investment.

What Jim needs to do in this case is begin to ask the important and crystallizing questions that will define how he exits his business. Jim needs to know 'who will run the business after him'. But in order to get to that point, Jim needs to have some idea as to what his exit options are and which one is optimal for his situation.

For example, Jim may want his management team to take over the business. Well, Jim's succession plan will need to include specific action items and benchmarks for transferring responsibility within his firm. The decisions that Jim makes in his business today, will need to be aligned with his choice of exit in order to maximize the equity within his business for his personal needs. Jim should communicate with his management team his desire to transfer operational control and begin to put measures in place to start this shift. Jim should take his future rain-maker to the meetings with his strategic partners, take his financial person to the meeting with the bank, and allow his operational person to set policies and speak with authority to others in the organization.

MANAGE YOUR SMALL BUSINESS (CONT.)

"I once was hired by an organization that threatened my integrity," Roffer says. "Just from the disrespectful behavior that was commonplace among the employees, I knew right away I would have trouble fitting in. What I thought would be a great fit turned out not to be, and I concluded that no amount of money was worth my soul and I made the decision to walk away, despite the loss in revenue. Look for people with values that resonate with yours. If you don't, at the end of this recession, you may not recognize yourself or your own company, and that can have damaging effects on your business long after the economic crisis is over."

Put yourself out on the line. Businesses that shine a light on what's different about them are perfectly positioned to *make* a difference. You may be paralyzed by fear, cutting the budget on anything that's not payroll and necessary expenses, but Roffer says you should instead be finding ways to give back. There may come a time when your own company is in need of a little help, and people will be more willing to return the favor if they've seen your willingness to help others in the past.

"Getting behind a cause is good for business and makes you look like a hero," says Roffer. "Now is the time to step up and volunteer, join a board, or give what you can to a local nonprofit. When clients see your philanthropic nature, they will trust you more. For example, if customers know that your company is environmentally conscious, it can give you a great competitive edge. And even if giving back doesn't mean you'll see an immediate profit increase, it can help you to re-identify what you are passionate about in life, and that passion will bleed over into your work."

Evolve by casting a wide net. As any business owner knows, each year can be vastly different from the one before it, and 2009 is already a whole new world compared to 2008. We have a constantly changing economy and a new president, and our clients will certainly have different needs this year from last. In tough times many business owners hold strong to doing what has always worked for them in the past, but Roffer says refusing to change with the times can have disastrous effects on your business's success.

"Operating with a business-as-usual mentality will not allow you to distinguish your business," advises Roffer. "You have to continue reinventing yourself, changing with the times and with your clients. But remember, don't let go of who you are as a company while updating your style, your website, your advertising, and the way you think about things. The key is staying true to the essence of who you are, and then recasting your image to feel brand new. Your clients, both existing and new, will appreciate the break from the business-as-usual approach. Working with you will be a refreshing change in a stifling business world, and that will garner success for you this year."

Reel in your unique power. In these tough times, it is only natural that you will experience moments of fear and anxiety when thinking about the future and your business's fate. However, you know that you and your business are valuable, or you wouldn't have started it in the first place. And nothing, not even a bad economy, can change that. Roffer says that the fearless among us overcome these doubts by practicing their ABCs—action, belief, and courage—and doing so will help to free you from the fear and allow you to move forward and be successful.

"It's time to stop wringing your hands and start using them to improve your business," says Roffer. "The story that you tell about your company is what others will believe, so make sure it's a story of strength and success. If you believe that now is a time for your company to start a new division, have the courage to do it, despite what others may say. Maybe you have an idea for a new product or some thoughts on unconventional ways to approach customer service. Now's the time to believe in your instincts and have the commitment to follow through. Have the courage to use your unique power to make them believe that you are indispensable and that is exactly what you will be!"

ARE YOU BUILDING EQUITY OR INCOME (CONT.)

When Jim begins to make these changes to his behavior and the manner in which the business is run, he starts to build on the equity in his business because he is treating the business more of an investment and less as a job. Jim's role converts to that of an overseer of the activities within his organization, not the creator of those activities. As a result, over time Jim's presence will no longer be critical to the proper running of the business.

At this point in time, the focus on the business - as an entity separate and distinct from Jim's personal desire for more income - and the running of the business with a process in place- Jim is increasing the value of his business. Jim's value is increased because all business valuation is a prophecy of future cash flows. Now Jim can more confidently state that his future cash flows are more secure because his management team has decision-making authority and Jim has protected the ongoing streams of income and cash flow against his own short-comings and/or mortality. As a consequence, the value of the business increases because a buyer or successor has a higher certainty as to the ability to achieve future cash flows in Jim's absence.

Owners who fail to make these important decisions leave the value of their business in a very uncertain state. Unfortunately, far too many business owners today are in this position. Also, compounding this problem is the fact that these changes can take time (often times many years) to occur within an organization. Therefore, the time is NOW to begin this process.

www.straticainc.com

MANAGE YOUR SMALL BUSINESS (CONT.)

"The biggest problem is that most small business owners are failing to see the big picture right now," Roffer concludes. "And when your livelihood and the livelihood of your employees is dependent on your ability to be successful in a tough economy, I can't say that I blame them. The trick is to quit thinking about what's going on right now. And instead think back to who you were when your business first started, and what kind of business you want to have on the other side of this recession. If you hold on to who that person is, and who your business truly is, you'll sail through this time and into an even brighter future."



Profit Mastery™: Practical Tools for Control, Survival, and Success

UMD Center for Economic Development (CED) and U.S. Bank
Present a 2-day workshop

TUES., April 28
9:00 am – 4:00 pm
WED., April 29, 2009
9:00 am – 12:00 pm

WHERE:
UMD CED Offices
11 E. Superior St., Suite 210,
Duluth, MN 55802

FOR THIS HANDS-ON WORKSHOP, TOPICS INCLUDE:

- Overcoming common business problems
- Using tools to take active control
- Planning for transition
- Understanding your financial position
- Making effective pricing decisions
- Leveraging financial resources
- Putting it all together

TO REGISTER for the seminar and/or RSVP for the Profit Mastery preview, for more information, or to register, contact:
UMD CED
218-726-7298
www.umdcad.com

Profit Mastery and Business Resource Services

Profit Mastery is a program developed by BSR built around the core premise that to improve financial performance, it must be measured. Financial education, benchmarking, coaching, bookkeeping and capital access are all components.

BSR develops client relationships and strategic partnerships with organizations that serve closely-held businesses. They deliver unique and powerful financial management programs, products and services to business owners and management that contribute to their overall success

Special cost for the 2-day seminar is \$149*
(includes course materials, continental breakfast and lunch)
Attendance is limited to 12 participants, so please register early.

Profit Mastery preview – enter to win free seminar attendance to the April 28-29 seminar when you attend the:

Complimentary Breakfast and Informational Program

Wednesday, April 15, 7:30 am – 9:30 am
UMD CED Offices, 11 E. Superior St., Suite 210
Duluth, MN 55802

**Normal cost of \$395 for the seminar is being subsidized by U.S. Bank*



LAST MINUTE TAX TIPS

from
"The Planning Shop Report"

Two of the biggest audit triggers for small businesses are: a. unreported income, and b: fraudulent expense deductions. The IRS particularly eyes businesses with a high proportion of cash sales (one in particular—convenience stores at gas stations) to track hidden income. And they look at small family or home-based businesses to see if they're improperly deducting personal expenses from the business. So be careful! And thanks to \$4 gallon gas, if you use your vehicle for business, note that the standard mileage rate was actually increased the second half of 2008. For use from Jan.1-June 30, 2008, the mileage rate was 50.5 cents, and from July 1-Dec 31, the rate was 58.5 cents.

The University of Minnesota Duluth Center for Economic Development offers numerous workshops to help entrepreneurs and employees operate more efficiently. All workshops are held at the Duluth Technology Village, 11 E. Superior Street, Suite 210 unless otherwise noted. To register call: 218-726-7298, 888-387-4594 or register online: www.umdced.com/workshops.

The mission of the University of Minnesota Duluth Center for Economic Development is to assist entrepreneurs and businesses to grow and succeed.

Funded in part through a cooperative agreement with the U.S. Small Business Administration, Minnesota Department of Employment and Economic Development and sponsoring centers. Reasonable accommodations for persons with disabilities will be made if requested at least two weeks in advance. For arrangements, contact: UMD Center for Economic Development, 11 E. Superior Street, Suite 210, 218-726-7298.

1986 – 2009 Celebrating 23 years of excellence and also recognizing UMD's 25 year partnership with the Minnesota Small Business Development Centers

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