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The SCORE Association
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409 3rd Street, S.W, 6th Floor
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Advertising
Ask SCORE

538 words

Spend Money On Advertising To Boost Retail Sales This Month

Advertising is one of the most important tools a retailer has. A sound understanding of its use and elements will result in more effective advertising. For some businesses seasonal ads are the most effective. For others, ongoing print ads for special sales work best. Still others will utilize radio to capture the attention of the market for that limited time only sale. And now more than ever, companies are advertising with their own Internet Web site or “renting” space on commercial sites that offer storefronts for their product promotion and ordering.

Whatever form advertising takes, the financial commitment to advertise is a very basic business decision. Advertising expenses should be planned with a return on investment in mind. For every advertising dollar, the business must recoup a percentage as part of every sale. When you set discounted promotional pricing that must be considered as well. Does a discounted promotional price and the advertising expense mean a loss on a particular sale item? Is that a calculated loss to bring business in the door in anticipation of a multi-item sale? Does that technique work?

Advertising is a fundamental business question. The answer is yes— if you are a retailer you should advertise. The question now becomes how to budget and implement an effective advertising program. Plan your expected highs and lows for foot traffic and sales volume. Develop a one-year advertising plan. You need to know when to emphasis advertising in your marketing mix. You can’t advertise everywhere all the time. Be selective before you ever spend that first dollar.

As part of your advertising plan, budget for the creative concept, layout and production of an advertising theme. If at all possible, hire someone specializing in advertising to develop a campaign for you. This does not have to be expensive. You can choose between advertising agencies, graphic design firms and freelance marketing pros. This expertise can help provide you with the savvy copy that attracts customers interest, attention and action. If you can’t afford to invest in a campaign theme. Carefully plan your messages and goals for the ads and get production support from the television station, radio station, newspaper or magazine running the ads.

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An advertisement should generate a buying response. The potential consumer should become interested in the product and understand the benefit of the product or service. How will your product or service make life easier or more enjoyable? The creative aspect of a clever and intriguing ad should help elicit interest. Invest wisely. A poorly conceived or executed advertising campaign can harm your business. Advertising is an investment and the time and money invested should add value to the bottom line. You want foot traffic and you want increased sales volume—advertising can help make it happen.

To review your advertising plans, contact a SCORE business counselor. The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Shared Advertising Helps You Gain Bigger Audience Share

Cooperative advertising is simply shared advertising. The most obvious advantage to the retailer is that much of the advertising cost is paid by an outside source such as a manufacturer or wholesaler. These parties interested in the sale of their goods will often pay up to 50 percent of the advertising expenses, if you as the retailer feature a particular product or brand in your advertisement.

Decide if cooperative advertising can help improve your sales and profit. Such advertising publicizes a close relationship with a well-regarded brand. Brand identification with your store can draw customers. Consumers look to trusted brands. By promoting your association with well-reputed products you create a sense of reliability and confidence in the mind of the consumer.

If a brand you're selling has consumer appeal, cooperative advertising is a good investment. If you get a 50 percent share as a dollar-for-dollar match—you in effect save 50 percent on your advertising costs. That's an offer that's hard to beat, when you are trying to gain visibility in a market made on repeat advertising. Keep in mind that the manufacturer or wholesaler will generally reimburse you after you have incurred and paid for the expense. Be sure you have budgeted for the cash flow of the advertising expense.

Cooperative advertising is a way to stretch your advertising dollars. By pooling your resources you will be able to buy substantially more space or time in the advertising medium of your choice. Or you may choose to run the same volume of advertisements and simply utilize the 50 percent reimbursement as a cost savings. More often than not a retailer will use cooperative advertising to pump up the size and frequency of advertising during a promotion or peak season. The manufacturer often supplies recommended layout and copy for cooperative ads. In some cases, specific elements will be required in order to receive the cooperative support.

Cooperative advertising can be a real benefit to a retailer. However, you need to make this decision carefully. There are a few constraints on cooperative advertising.

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First, you will have to make some compromises in the advertisement to accommodate your ideas and the manufacturer or wholesaler's messages. In some cases, this will mean pre-approval of your ads. Most of the time it will mean your invoice and advertisement are reviewed after-the-fact. If your advertisement met the criteria set forth by the manufacturer or wholesaler you will be reimbursed.

Cooperative advertising should be integrated in your planning for an overall advertising budget that covers each season. Be wary of committing to unplanned expenses that add to your overhead costs. Cooperative advertising should be considered a component of your efforts, not a license to increase overall advertising spending by 50 percent. Also evaluate the return on cooperative advertising. Do the ads increase consumer spending, foot traffic and awareness? If yes, then you have found that cooperative ads are a benefit to the success of your small business advertising campaign.

If you would like to discuss advertising strategies, including cooperative advertising, call the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Don't Just Spend Ad Dollars—Develop An Advertising Schedule

Advertising is not merely a business expense; it's an investment in building sales. Future growth of any business depends considerably on how well you plan and implement your advertising program. It is common for a small business to designate the amount of its advertising budget as a percent of sales. Setting the advertising budget shouldn't be pure guesswork. Trade journals for various industries provide information on the average advertising expenditure for different types of businesses.

Armed with an annual dollar advertising budget figure based on your estimated sales, you'll want to make a monthly budget to plan for your varying advertising needs during the year. Some types of businesses have major sales during particular months. Others build heavy sales around the holiday season or other seasonal activities. Every business has its own special needs. If you are just opening your business, you will want announcement advertisements. For a period of time you will overspend on advertising, as part of the business launch.

If you are expanding a store or adding a new product line, you may increase the frequency and size of advertisements. Your advertising budget, like most elements of a business budget requires planning. You'll see special needs arise at different times. Designate your advertising budget on a quarterly basis to allow for monthly fluctuations in advertising spending.

Advertising sales representatives will talk with you about rates, circulation, audience or coverage. You will be shown the cost per thousand for the advertisement, meaning the cost to you for reaching 1,000 people or homes. Be sure you understand how such figures are based, for one medium's cost per thousand may not mean the same as another's. Don't buy ads based solely on cost. Concentrate on how well the medium—television, radio or print will serve you in reaching your target audience.

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If you would like to discuss advertising, ad budgeting or business planning, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Business Planning

Ask SCORE

434 Words

Develop A Plan Now And Count On Profits Later

A good business plan provides the small business owner with a plan of action to build a successful small business. The business plan examines the environment in which a business operates, describes how the business will function and anticipates potential problems and opportunities. The plan suggests solutions to problems and responses to opportunities.

It's worth your time to write a business plan. Planning helps you guarantee that you have defined and described business objects such as sales, expenses and the goals of your business. The more accurate your plan, the better able you will be to follow this business plan as a true operating guide for business. The plan should identify your target customers and how you will gain their business. The business plan is the definitive document that showcases your clear thinking about the business. If you plan to seek financing, a copy of your business plan will generally be required as a way to substantiate that you have a valid business idea and realistic plans for business success.

From a financing and operational perspective, the business plan should address future contingencies. You should answer the following questions. What will competitors do to offset your presence in the market? What are the new trends developing in your field and how will you accommodate them? After your business is established, how will you make the business grow? Putting your ideas in writing forces you to think realistically about what the business can achieve.

Start-up and existing businesses can both benefit from a written business plan. A free workbook, *How To Really Start Your Own Business* is available through the SCORE Association (Service Corps of Retired Executives.) This workbook provides a framework for developing a business plan and answering key questions that will influence how the business operates. A SCORE counselor can meet with you confidentially to discuss your business plan and how to improve an existing plan or write that first business plan. All business counseling is free and confidential.

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If you would like to discuss business planning, business start-up or business expansion, contact SCORE. The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Business Operations

Ask SCORE

527 Words

Establish Business Controls To Focus On Goals

It can be a challenge to remain focused on the goals of the business during the hurried pace of the business day. Much like a football team in the midst of a key play, trying to look at the next part of the game strategy—it's a tall order. To stay on target, create a game plan that covers the big picture, so you can focus on the "play of the day." Business controls are as important to the small office with two employees as they are to the small business with 200 employees.

A control system establishes specific policies and procedures for tasks to be handled on a planned basis. The system measure, controls and provides feedback to the owner about what is happening in various parts of the business. This system should be as simple as possible to provide information quickly, so the owner can make reasonable business decisions based upon current information. Avoid complicated procedures that lead to confusion, expenses and wasted staff time.

Controls place accountability within the business. Some employees may feel that controls are restrictions. However, the success of the company and the employees' pay depends on the business success. The controls are not meant to be a trap, but rather a quick check to allow everyone to do the job right. A control system is objective and can provide a systematic and routine measure of performance on an ongoing basis. Trends and ongoing employee, manufacturing and service performance are vital to customer satisfaction and business success.

Getting employees to accept and follow the system is absolutely necessary. Take time to explain why controls are being put into place and the affect you expect a control system to have on the processes of your business. The focus is not on controlling employees, but rather on controlling processes and quality to the business is better for everyone. You need employee compliance with the new system and their understanding and acceptance is important in creating a reliable system.

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Every business needs policies and procedures that place a measure of control in their processes. Product and service quality means customers and repeat

customers. Business is gained because the company is using the most effective and efficient methods to accomplish tasks.

You may develop guidelines and control systems yourself or bring in a team of employees to help define a system that is useful in their job success, as well as the company's success. A control system should be a part of making the work smoother not more cumbersome.

If you would like to institute a control system in your business, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Business Operations

Ask SCORE

592 Words

Save On Small Costs To Win Big At The End Of The Day

The reduction of specific fixed and variable expenses can improve your profit picture. First a word of caution. Do not needlessly cut costs. Legitimate expenses provide the framework for your business and you don't want to cut your operating budget too deeply. However, you must be ever vigilant when it comes to controlling expenses. Each year, expenses have a way of creeping skywards. It is up to you, to evaluate if those funds are being spent for their maximum effect.

You can reduce costs without cutting specific expenses by increasing the average sale per customer. If you can increase the overall value of a sale to each customer, you then spread the same expense across a larger income. This gives you a better sales vs. expense ratio. If you operate in a retail store, you may measure sales per square foot. Your goal may be to increase the sales per square foot by certain percentage. Look to sales as a way to improve the success of your business. Beyond offering quality products and services, it is the sale of those goods and services that keep you in business.

Keep in mind that you need to build in a solid profit margin on sales. A big sales volume with a thin profit margin is not the solution you seek. A part of your product or service line may have a smaller profit margin simply because of competition and market pressure. If that is the case, then you must add a higher profit margin to other goods, so you can obtain an average profit margin, which meets your business goals.

Your goal is to pay the right price for prosperity. Evaluate expenses and look at areas that may be high or rising at a rapid rate. Look at how expenses are distributed from year to year and identify areas for review. Review each segment of your operating budget. Can you negotiate a better lease? Can you renegotiate a long-term debt at a better rate? Can you earn discounts by meeting accounts payable earlier in the payment cycle? Can you cut specific costs for specific time frames in order to reduce overall expenses? Ask yourself these and other questions.

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Before you can determine if cost cutting will increase profits, you need more information about your business operation. Proper record keeping is the start. Your business records provide the financial data to prepare a budget, profit and loss statement, break-even calculations and operating ratios. This information can be compared with similar types of businesses to evaluate if your business is operating within industry norms. A break-even analysis will show you the volume point at which your gross profit equals expenses. From that point on, you begin to move from a loss into a profit situation. The break-even point is a very important piece of information to you as a business owner.

To learn more about controlling costs, increasing sales, improving profit margins and managing profitably, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Business Operations

Ask SCORE

442 Words

Don't Shy Away From Life Insurance—It Protects Your Business

Many small business owners have their life savings invested in their businesses. In cases such as this, what happens when the owner dies? Does the business close? Must the family stand by and watch all their assets disappear? What happens may depend upon what you, as a small business owner, do to ensure the financial security of your family in the event of your death. Business life insurance can protect both your business and family and help provide for the financial survival of each.

Life insurance for business may be taken out for several different purposes. One purpose is to provide for the successful liquidation of your financial interest in the business for the benefit of your heirs. If you have a business partner, you should each have a life insurance policy, enabling an automatic buyout of the interest of the deceased. It protects the estate of the deceased, and ensures the continuation of the business.

If employees are scheduled to take over ownership after your death, an insurance policy can be designed to give them funds for the purchase of the business. If the business is to be sold outright after your death, working capital will be needed for the transition period. Funds may be needed to help tide the business over during this period. The availability of a ready source of cash will make the business that much easier to sell. Assets are usually discounted during such a sale and the availability of insurance funds will help the heirs.

Putting together a sound life insurance program to meet your business and family needs is difficult. You need the assistance of your insurance agent, attorney and family members. You must consider the interests of your family and heirs, as well as the legal aspects of this type of insurance. There may also be tax implications to the life insurance policy. Meet with a professional to discuss the level and type of life insurance that will best serve your needs.

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If you would like to discuss business life insurance, business planning or business capital, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Business Operations

Ask SCORE

462 Words

Establish Effective Inventory Controls

Inventory control is probably second only to lack of capital as the greatest cause for financial difficulty for most small businesses who sell products. A good system of stock control is essential to offer customers a good variety of merchandise and a balanced assortment of merchandise. An important aspect of inventory control is stocking and monitoring inventory, based upon seasonal variances.

A year-round calendar should be maintained to detail the overall merchandise-ordering plan for the year. A detailed list of potential merchandise should be prepared and available a few weeks before orders are placed—sometimes months in advance depending on the industry and vendors. January is the time to pick and order your line of Easter merchandise. June is the time to plan orders for Christmas merchandise.

Stock control also means having the right varieties of merchandise when demand is at its peak. While some lines have colors popular all year-round, demand for colors of some items will vary by time of year. Red candles may be on your shelves year-round, but seasonal sales peaks around Valentine's Day and Christmas may demand a larger supply.

Other items show seasonal demand by the product type. Meats for barbecuing sell better over the warm summer months. Sales for pool maintenance products peak during the swimming season. The automobile service garage is sure to have antifreeze on hand in time for the winter season. Whatever your product line, you will want to consider product trends with consumers, as well as the seasonal conditions that drive consumer demand.

A seasonal calendar for buying and stock control is common to many retailers. If your competitors have seasonal merchandise in stock that you did not order, visit their stores. Find out if their merchandise selection is moving quickly or sitting on the shelf. What merchandise is being heavily discounted by your competitors? Compare that to your own shelves. Gather information that indicates what is happening in the market beyond your sales floor.

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Competitive analysis can help you plan your own merchandise selection better for upcoming seasons. If you would like to discuss inventory control, purchasing or merchandising, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1(800) 634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Business Operations

Ask SCORE

550 Words

Do You Need More Effective Inventory Control?

Inventory is generally one of the most tangible and visible aspects of owning a small business. Raw materials, materials in process or finished goods represent inventory. Merchandise stock is a major portion of your investment in the business. Your inventory must be well managed to maximize profits—uncontrolled inventories are inefficient and costly. Old goods often have to be discarded, which represents unrecovered expenses. Inventories that have too many products in one category often result in a surplus of hard-to-sell items that result in deep discounting. Such discounts can often eliminate profit on the item. You want to maintain enough inventory to meet demand, prevent product aging and avoid under-performing products in the industry.

Inventory management is difficult. There are tangible expenses associated with carrying an inventory that extend beyond the direct costs of purchasing an inventory. Storage, insurance, taxes and staff time to manage an inventory all tie up cash the business would otherwise have for other operating expenses or profits. Small reduction in an inventory investment may result in large changes in the firm's cash position. However, the small business owner must balance the need to control inventory size with the desire to maintain an assortment of products that can be purchased in sufficient volume to earn purchasing discounts. A varied assortment of products should be maintained in order to meet the demand of today's customer, who likes a choice of products within any given product category. When possible make volume purchases of popular goods to obtain low prices, but avoid overbuying.

Take time to measure the average turnover rate of your inventory. This simple measure tells the business owner how many times annually inventory turns over. Generally expressed in dollars, it is total sales divided by the average amount of inventory. This measure offers a rough guide by which to set goals and measure performance. To determine whether a particular rate is above or below what it should be for your business type, consult your trade association or other industry sources for comparative data. Also evaluate the composition of your inventory. You may have low ticket, high turnover items, as well as high-ticket items, which you sell in a smaller quantity but at higher prices.

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The effective business owner will have a continuing record of what is in stock and a method for checking items moving in and out of stock. If recorded consistently, the owner will know at any given time the total inventory for the business and how long each item has been in stock. With computerized record keeping this should become a routine business task. Inventory is a resource to be managed to effectively fulfill consumer demand and generate sales for the business.

For more information about inventory management, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Business Operations

Ask SCORE

540 Words

Keep Records To Keep Your Sanity At Tax Time

You need not face tax time worrying about your various tax claims and exemptions. If you dedicate time and effort to record keeping, you can avoid last-minute worries about having proper documentation in support of your tax filing. The key is to create a record keeping system that is consistent, organized and maintains receipts and other documentation.

Keep a tax calendar. Your tax calendar should show all deadlines for filing returns and making payments. If you refer to that calendar weekly, you'll be able to take action promptly in order to avoid financial penalties. You want to pay your fair share of taxes, without overpaying or owing additional funds to the Internal Revenue Service.

Your checkbook or general ledger should be your major financial documentation. All funds passing through the business should be documented in your checkbook and logged into the general ledger. This is the master record of the financial transactions of the company. This record of cash flow may be needed for verifying information to the IRS.

Even if you are a solo entrepreneur, you should still set up a separate bank account for all business transactions. This ensures that all incoming and outgoing funds associated with the business are properly documented. If you do not have a business name, open the account in your name as a business account. This account is a master record of the financial history of your business. Don't use it for any personal expenses. Deposit and enter all cash and check receipts into this business account. Post all expenditures through the account. You may keep a separate cash box and records for expenses that you draw from petty cash.

You can set up petty cash as a cash box or as a subsidiary of your bank account. With a petty cash account you can obtain advances for certain expenses. Whatever the amount, the business needs to have petty cash for small day-to-day expenses, such as parking or postage stamps. A limited number of people should be authorized to disperse such funds, and signed receipts should be required for any use of petty cash.

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You will need additional information from the IRS for tax planning purposes. Information such as depreciation and allowances for interest should be gathered from the IRS or your tax consultant or accountant. You can access tax forms and information on the Internet at the IRS Web site at <http://www.irs.ustreas.gov>. The site has a wealth of information and can provide insights to help make your tax preparations less complicated. Downloadable publications are available on the Web site.

If you would like to discuss how taxes affect small business or business record keeping, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Business Operations

Ask SCORE

552 Words

Obtain Business Insurance As A Safeguard

If your insurance policy omits important elements of business protection, a lifetime of hard work can be lost in a few minutes. Sound insurance management for your business is as important as good financing, marketing, personnel management or any other key aspects of operations. Like all these other business issues, appropriate insurance for your business doesn't just happen.

A good insurance plan guards against the unexpected. Some business risks are obvious: fire, theft and liability, for example. But your checklist for business protection should not be limited to the obvious. If you use special tools or equipment in your business, you may need special insurance covering them. If you need to close down your business for a period of time, you may also need business interruption insurance. Business interruption is perceived by many entrepreneurs as an unlikely event, but a natural disaster can cause tremendous damage to a business and its surrounding economy. Be sensitive to the impacts of a catastrophic event on the potential of your business to remain viable.

Bring a professional into the picture early. You don't want to spend money on needless insurance or insurance for situations that are highly unlikely. Insurance is a fixed expense. Make wise choices before adding an additional expense to the business. Insurance is a complex and detailed subject. Seek out a reputable and qualified broker agent or consultant to explain insurance options. A qualified professional will recommend coverage options and help you avoid financial loss. Evaluate what kind of protection and what level of insurance coverage is needed for your business.

Before purchasing insurance, consider all the possible ways of holding down the costs. Maybe it's not reasonable to cover all perils. Cover the most risky and largest peril first, then work down your list of priorities. Don't get needless coverage, but don't try to save money by under-insuring or by not covering risks that could cause significant loss. If the probability is small the premium will be also. Use a deductible as high as you feel your cash flow will allow, given the need to use insurance in the event of an unexpected occurrence.

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Many package policies are suitable for small businesses that they are designed to services, and usually it is less expensive to add riders than it is to get a separate policy for some risk not covered in the package. This generally means you should buy all of your coverage from a single agency or broker. If you do opt to purchase more than one policy, avoid duplications of coverage. Make sure the same risk is not covered under two different policies.

If you have questions about fixed expenses, risk and purchasing insurance for your business, call the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Plan Before You Take The Plunge Into Deep Waters

Thinking about starting your own business? Join the club! Nearly 800,000 new businesses are launched each year by people like you—people with a good idea or a special talent, and the drive to make it work.

But while entrepreneurship enables you to follow your dream, it can just as easily turn into a nightmare. Whether the idea is born out of long-term goals or a frustrating day at work, the first steps for successful business ownership are planning, research, and more planning. You also need to ask yourself, **“Can I be my own boss?”** Running a business is different from working for one, even if you’re an experienced manager. Every responsibility—from generating new work to paying taxes, from locating office space to buying paper clips—falls on your shoulders. And that’s in addition to actually doing the work itself.

Here are some tips to help get your planning process on the right track:

Talk to others who’ve done the same thing. There’s no substitute for experience. Talk to other small business entrepreneurs who are in the same or similar field as your proposed venture. Find out how they got started, what mistakes they made, and what they’d do differently if given the chance.

Put yourself in position of the consumer. What impresses you about the businesses you patronize? Those “little things” (e.g., home delivery, shopping via the Internet) don’t happen by themselves. Consider the time, cost, and resources required to support that service.

Tell friends and colleagues of your plans. While it’s not polite to directly solicit their business, you can discretely ask for suggestions or other contacts who may be interested in using your services. ***Caution:** If you’re concerned about retribution from your current employer, be careful whom you talk to and what you tell them.*

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Make planning an ongoing effort. Update your business plan as you gather more information. Today’s business world changes rapidly, and you may not have the luxury of keeping your plans “on schedule.” The cause may be positive

(e.g., a project opportunity) or negative (layoffs at your current company).

As we noted above, there's no substitute for experience when it comes to planning and opening a small business. A great place to find this valuable resource is your local chapter of the Service Corps of Retired Executives (SCORE). There, you'll meet knowledgeable counselors ready to help you with every aspect of launching your dream, from developing a business plan to identifying funding opportunities. There's no charge for their service, and all discussions are confidential. SCORE also provides a variety of valuable seminars and workshops for a nominal charge.

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Business Start-up
Ask SCORE

599 Words

Are You Ready To Be A Millennium Entrepreneur?

It's all about small business. These days the words, entrepreneur, innovation and millennium signal the way of the world. There are 23.5 million small business owners in the U.S. and you can be one of them today and tomorrow in the year 2000. The question—is entrepreneurship right for you?

You say yes. Okay, then take time to prepare because the most common reason for a small business to fail is lack of management skills. Bulk up now on management knowledge and skill, before you test yourself in the small business world. The good news is management skills can be obtained through training, work experience and the advice of a business counselor.

As you consider your personal and business goals, ask yourself tough questions. Are you a self-starter? Do you have the stamina to start a new business? Many entrepreneurs say that there is no 40-hour workweek, much more like 50-70 hours. Do you have capital or access to capital? Can you plan the course of your business for the first year? Are you ready to be both the company thinker and doer?

Look at resources to help you prepare for business ownership. Opening a small business is a big risk, which does offer the potential of a significant payoff. Profit, personal control, pride of ownership and self-reliance are the potential wins of entrepreneurship. Small businesses do succeed. In our country small businesses generate more than half of all sales in America. If you are a risk taker, small business ownership may be for you.

Plan and prepare to succeed in business. Small business success is not random; it is the result of a concentrated effort. Ask yourself the following questions. If you answer yes, you have the basic qualities of an entrepreneur. If you answer no to any of the questions, evaluate these as areas where you can build your skills.

(More)

- Is my product or service different from others on the market?

- Do I have adequate financial resources or access to capital?
- Do I have management experience to help me run a business?
- Am I ready to commit to the demands of owning a business?
- Can I take responsibility and make effective decisions?
- Am I in good health with the stamina for the job ahead?
- Do I have the encouragement and support of my family?

If you need to differentiate your product or service, gain management experience, or gain access to capital, ask for help. Entrepreneurs are often individualists who want to do it all on their own. Before you take the plunge into entrepreneurship, take advantage of every resource that can help you succeed. The savvy entrepreneur looks for ways to succeed by tapping into existing resources, so his or her time can be spent on crucial issues and not be spent working on getting past a steep learning curve.

You can call the SCORE Association (Service Corps of Retired Executives) and receive free and confidential business counseling, including information and assistance on the business planning process. The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

###

Business Start-up
Ask SCORE

450 Words

Is Business Ownership The Right Choice for You?

Should you start a business? That's a difficult question to answer. And, it's a question only you can answer. To start and run a successful small business, you must be chief executive, purchasing agent, personnel officer, bookkeeper, advertising manager and sales director. Sometimes you even need to be the janitor as well. Ask yourself, if you are prepared for the challenge.

The best way to choose a business venture is to consider your experience and your educational and business backgrounds. An honest and thorough review should give you some leads about which field to enter. Your review must consider your weaknesses as well as strengths.

Basic business skills are important to the success of small business operations. Your background should include: record keeping, money management, personnel management, market analysis, knowledge of the product or service, communication skills and taxes. Don't worry if you are not adept at all these skills. Many schools offer courses in the aspects of operating a small business. Invest a few dollars and some time to attend a basic business class. Also, your local SCORE chapter offers low-cost pre-business workshops that cover basic elements of business operation, as well as how to prepare a business plan.

The decision to open a business requires months, perhaps even years of planning and preparation. A new business will require a considerable investment of your personal assets. It will require considerable study, planning and learning if you are to minimize your risk of failure. Rushing into a venture in hopes of easy success almost ensures failure.

Consider counseling as just one more step in your plan to open your business. Business counseling is a source of confidential advice to help you develop your business idea, business plan and timetable for business start-up. Some people find that the risk, start-up time and demands of business ownership don't suit their lifestyles. This is valuable information to have before opening a business. A well-informed decision is the first step in successful entrepreneurship. If you have decided to pursue business ownership, begin assembling your resources. Those resources should include skills, capital, a realistic business plan, etc. For in acquiring these skills and resources, contact the SCORE Association.

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Are You Dreaming About Being The Big Boss?

If you think that being your own boss, running your own company, and earning your own way sounds like a great idea, then explore the possibilities. More than 23 million Americans own small businesses. About 800,000 new businesses are opened each year. From engineering firms, to bake shops to home offices, small business is rapidly growing. You can become one of 23 million risk takers and success makers.

Small business accounts for 50 percent of all private sector innovations. If you are creative and have a bright idea—test it. Don't start a small business without planning and forethought. But move forward. Opportunities exist for the dedicated, innovative and motivated entrepreneur. Technology continues to open up new avenues for success. There are fewer than 20 employees at more than 40,000 high tech firms. High tech is an area of growth for entrepreneurs. Whether you plan to open a high tech business or simply utilize high technology in your operations—you are on the right track.

Entrepreneurs are dreamers who see all the possibilities. Very quickly the successful dreamers translate those bright ideas into plans for profitable realities. Business ideas are exciting and right along with the ideas, bring your practical emphasis on making money. Small business is a livelihood and every idea should run a litmus test for profitable viability. Can you make money with this business? The answer needs to be yes, before you go any further. If you are considering entrepreneurship, gather information and obtain advice.

Right here in your community you can access a free and confidential resource—small business counseling. The SCORE Association (Service Corps of Retired Executives) offers small business counseling and mentoring to aspiring entrepreneurs and business owners absolutely free-of-charge. SCORE is a nonprofit organization dedicated to the formation, growth and success of small business.

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Meetings are generally held in SCORE offices because of the amount of reference material on file for your use. During your first counseling session, ask about the

free small business planning workbook *How To Really Start Your Own Business*. SCORE offers this workbook as a free resource to any aspiring entrepreneur who commits to three counseling sessions.

During these pre-business counseling sessions, the counselor and the aspiring entrepreneur discuss the elements of the business plan and begin putting those ideas in writing. You are the decision-maker in your new enterprise. SCORE counselors act as guides, advisors and information resources. You are the captain of your ship. SCORE offers a navigator to help you determine the course you will set as a business owner.

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Business Start-up

Ask SCORE

703 Words

Does Franchise Ownership Interest You?

Franchising is often described as a business or industry. It is not. Franchising is a method of doing business. You can become a business owner under a franchise agreement. Franchising has been adopted and used by a wide variety of industries and businesses as a means of efficient expansion. Under a franchise system, an individually owned business is operated as though it were part of a large company. The parent company acts as the umbrella organization. This company authorizes the franchise outlets to use its trademark and benefit from the image of a larger organization.

Generally, the franchisor or umbrella organization will dictate standard design for business facilities; specify the use of certain equipment, products or services; and provide instruction on operating the franchise in accordance with the standards set forth for all franchise operations. While most people think of a franchise as being product or service oriented, such as the case with fast food, restaurant or hotel businesses, franchises may also be found in the wholesale and manufacturing industries.

Franchising offers many advantages to an entrepreneur. As a small businessperson you can “buy into” a well-established venture, with a proven formula for success. This offers you significant odds for success, when the franchise formula is carefully followed. The franchisor should provide solid advice (often mandates), site selection, management, advertising, accounting and product research and development to aid the overall franchise organization’s success. Greater efficiency and profitability result from uniform coordination.

Is the concept of a franchise right for you? To make your business a success, you must be willing to accept the orders, vision and procedures set forth by the franchisor. Any ideas you have for customizing the proven formula must typically be approved by the franchisor. In a sense, you forgo some of the independence you may have sought as an entrepreneur. Of course, the trade off in autonomy for the support system must be weighed against the increased chances for success.

As in any small business, long hours and hard work are required. There is usually a long payout period in the business. With many franchises, it’s likely to be three or more years before you can begin to take money, other than your salary, from the business. However, there is no guarantee that you will earn a profit any sooner

than if you started a small business on your own, rather than going for franchising. Carefully evaluate whether a particular franchise is right for you.

To request a free copy of the pamphlet “A Consumer Guide To Buying A Franchise,” call the Federal Trade Commission, Public Reference Branch at (202) 326-2222, stay on the line for an information specialist—do not enter the voice mail selection system for this item.

The following factors should be considered when evaluating franchise opportunities.

- How much money can you invest? Before you invest in a franchise, make sure you can afford any fees charged by the franchisor. The initial investment may require anywhere from a few thousand to several hundred thousand dollars.
- Do you have the background necessary to make the business a success? Do you have experience in whatever field you are going to venture into? The franchisor will want to be assured that its good name and reputation will be placed in good hands with you as the franchisee.
- What are the terms of the franchise agreement? It is in your best interest to have your lawyer, accountant and a business counselor examine the franchise agreement carefully. Don't be hasty. Fully evaluate the agreement before committing to the business endeavor.

The SCORE Association (Service Corps of Retired Executives) can help. SCORE offers free and confidential business counseling to aspiring entrepreneurs and business owners. The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Business Start-up
Ask SCORE

725 Words

Get Ready, Get Set, Go Solo

At any given time 30 percent of the population is thinking about starting a business. If you are thinking that you would like to open your own business, then prepare for success. Entrepreneurs succeed because of hard work and preparation. Don't underestimate the importance or time commitment involved in preparing for small business ownership.

While an employee may lose a job as a result of a reorganization, a business owner can lose his or her life savings. You want to protect your investment, if you own a business. The best protection for your business is to be prepared for entrepreneurship. There are five ways in which you can prepare for business ownership, before you actually take the plunge and open your own company. Five pre-business preparation tips appear below:

- Define Your Professional And Personal Goals
- Take A Course On Business Management
- Prepare A Complete Business Plan
- Complete A Loan Application
- Test Market Your Idea

You may want to own your own business in order to be your own boss and set your own schedule. You may want to own your own business to get rich. You may want to own your own business to pursue a self-directed career in a field you love. All three are valid reasons for wanting to own a business. The critical aspect after you answer the initial question of why be an entrepreneur becomes what do you want to achieve in the long term, professionally and personally.

You need to look at your work and personal life based upon a 10 year span. Most small businesses are considered start-ups or growth firms through their first five years in operation. The company only begins to mature after the five-year mark. Does this time investment suit your goals? What do you want out of life? Many entrepreneurs tell me they now work harder than ever, usually 50-70 hours a week. Can you make that commitment?

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As you begin to answer these fundamental questions, you are mapping out the course, profitability and role you want a small business to have in your life. One of the reasons often cited as why a small business fails is the lack of management experience. Do you have management experience? If yes, great what else do you need to know? If no, are you willing to learn about business management before going into business?

Preparation helps protect your investment both in time and money. Since most entrepreneurs need some capital financing to start a business, preparation is necessary to develop the business plan and loan application package required in order to secure a bank loan. Along with that preparation, a lender will expect you to have capital or assets to invest in the business. Whether or not you receive a loan will depend upon your credit history, your ability to repay debt and the soundness of your business idea and business plan.

If you make it this far in the process, you are serious about entrepreneurship. Next, test market your product or service. Find out if consumers are willing and able to purchase what you want to offer the marketplace. You may find that adjustments are needed, the idea is right or that there isn't a market after all. This testing phase allows you to invest a small amount of money in order to find out if this business can work in the marketplace. You may gather your results and change the business idea or decide against entrepreneurship.

Make well informed decisions based upon fact and preparation. If you would like to learn more about starting a business, preparing a business plan or test marketing, contact the SCORE Association (Service Corps of Retired Executives).

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SCORE
Ask SCORE

359 Words

Let Your Ideas Take Flight

Have you decided to open your own business? If this is your dream, start planning to make it a reality. Research, planning, hard work and innovation can build your business success. As you get started, seek out advice. You are the one making the decisions, now be sure those are informed decisions.

There are many details that comprise business operations. Ask yourself, how should the business be organized? Answer—sole proprietorship, partnership or corporation. Do you know about the licenses, permits, inspections and taxes you face? The answer had better be yes. As an entrepreneur, managing the details is your business.

There is help available. The SCORE Association (Service Corps of Retired Executives) is one source of expert advice. SCORE is a nonprofit association, which seeks to aid the formation, growth and success of small business nationwide. Throughout the country 12,400 volunteer, business counselors donate their business skills to you. Their collective expertise as business owners, executives and managers can bring you answers to important business questions. SCORE offers small business counseling and mentoring as a confidential, no fee service.

SCORE's business counselors have worked for successful small businesses, as well as such noted companies as IBM, Xerox, Exxon, Citicorp/Citibank and Procter and Gamble, to mention a few. You can be mentored by bankers, accountants, marketing experts, computer programmers, line managers, human resources professionals or CEOs. SCORE brings expertise from numerous fields from the general issues every business must face, to specialized areas such as defense contracting, direct mail marketing and toy making.

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Business Start-up

Ask SCORE

754 Words

Choose A Legal Structure For Your Firm

When you are starting a new business, one of the first questions you will have to answer is what form of legal organization is best for you. The answer depends on your goals, personal situation and tax implications.

There are three basic ways of organizing a business. One of the most popular in today's environment with 15.3 million small office/home office workers is the sole proprietorship. A sole proprietorship has several advantages: it is easy to form; you control the firm; make all the decisions; and receive all the profits. With this form of organization you have great flexibility in making decisions, compared to corporations in which a board of directors has operational input. In addition, there is relative freedom from government control and reporting. The greatest disadvantage with a sole proprietorship is that you have no protection for you or your family's personal assets. Should there be financial problems or a lawsuit, your own assets are at risk. You can obtain insurance to minimize the risk and cover liability up to a certain dollar amount; however, you are assuming greater personal liability.

The second way of organizing a business is through a partnership. A partnership is an association of two or more people who operate a business as co-owners. Be sure to draft a legally binding partnership agreement. Unless, there is a written partnership agreement, each partner holds an identical share in the business, regardless of the time or financial resources contributed to the business. A partnership is easy to form, with minimal paperwork and legal consultation. As with the sole proprietorship, there is relative freedom from government control and paperwork. There is still flexibility and freedom of action, but less so because all the partners have a say in decisions.

There are some drawbacks to partnerships. First, the firm is bound by the actions of each partner as an agent. The equity of each single partner is not liquid and at greater risk. It takes more time and effort to sell a partnership interest in a business to an outsider. Secondly, in the event of the death of a partner, the firm must be liquidated unless legal safeguards have been put in place to allow the business to continue with the remaining partners.

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Even with this arrangement, the family of the deceased partner is entitled to the assets of the partner, you must then buy out those shares in the business. It is best to have such issues pre-determined with a written policy to protect the business.

The third way of organizing a business is in the form of a corporation. A corporation is organized to sell shares of company stock to its owners. The main advantage of incorporation is the limited financial liability of the owner. Personal assets cannot be attached and ownership can be easily transferred through the sale of stock shares. The corporation is a legal entity and will continue to exist until its legal dissolution, even if one of the principals in the business should die.

The disadvantages of a (C) Corporation center around government control and report. Corporate earnings are taxable, before the distribution of earnings to owners. Following that distribution the owners are taxed on their earnings. You may opt for the sub-chapter (S) Corporation. This incorporation provides the limited liability of the corporation and simplifies taxation. Earnings are taxed at the personal level; a separate corporate earnings tax is not levied against sub-chapter (S) Corporation. Another option is the LLC, Limited Liability Company, which offers the benefit of limited liability without being as complex as a corporation.

Before you decide on your form of business organization, talk with your tax advisor and attorney. This decision has long-term implications as to how your business will operate and how it will be taxed. It is important to obtain legal counsel, before you obtain your business license.

If you would like to discuss forms of business organization, business planning or local business regulations, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

Business Start-up

Ask SCORE

482 Words

Base Your Organization On Business Goals And Objectives

The structure of a business should be based upon both long-term goals and short-term objectives. An organization built on any other basis will have an unsound structure. Structure is important in a small business. You have little room for error. Whether you follow a specific quality program or not—believe in the concept of doing it right the first time. Make that concept your mantra and your daily habit. Your success depends upon it.

The starting point for your success plan should focus on long-range goals. Decide what you want from your business. Do you want to be a leader in the field? Or do you want to be a dominant player in your own local community? Are you content to make a good living for you and your family? Or do you want to make a million before you're 50? Be honest with yourself. Your goals will guide you in setting your overall direction, as well as the short-term objectives to help you achieve those goals.

Here are a few basic steps you can follow to allow you to meet your objectives and achieve your goals.

- Develop an overall goal.
- Define two to three key objectives.
- Develop criteria for measuring the firm's progress.
- Refine these objectives with implementation and measurement strategies.
- Develop timetables and action plans to support your business objectives.
- Get everything in writing. Establish a frame of reference for the work ahead.

The six steps above can help you set forth the organizational framework for your success. These are the goals you have set forth and you can adapt them, as they may need to be updated over time. In the meantime, you can set a clear course for your business and act in accordance with your plans for success. You should be constantly alert to the need for organizational change to meet objectives. Part of doing it right the first time is giving yourself time to reflect and adjust your plans as needed.

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Whether you are opening a business for the first time or have operated a successful company for years, consider obtaining an outside opinion. A sounding board from outside the company can often offer insights that help you be a more effective entrepreneur. You can call upon the SCORE Association (Service Corps of Retired Executives) for free and confidential business advice and mentoring.

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Business Start-up

Ask SCORE

624 Words

Gather Information Before Investing In A Franchise

Franchising is a very popular method of doing business. Franchises generated \$803.2 billion in the sale of retail goods and services in 1992. According to an industry newspaper *Franchise Times* 76 percent of franchisees are satisfied and 73 percent would recommend franchising to others. As a small business venture, franchising offers the entrepreneur an opportunity to follow a formula for what has demonstrated itself to be a tried and true business.

While no business is without risk, franchising provides entrepreneurs with a business option that offers a trademark, guidelines and a business format. There are advantages to the foundation provided in a franchise business. However, the owner does relinquish some autonomy by agreeing to follow guidelines established in the franchise agreement—which is a legally binding document.

The most common type of franchising is business format franchising, which in effect provides a blueprint for the building, promotion, operation and products and services of the business. The franchise investment may range from tens of thousands to hundreds of thousands of dollars. An up-front fee and a continuing royalty, based on percent of sales, are usually required as part of a franchise agreement. Product and tradename franchises are available, such as auto dealerships.

Before you decide to make your mark as an entrepreneur, learn more about franchising. Sources of information on franchising are abundant. The sources described below can help you make an informed decision about franchising as your avenue toward entrepreneurship. If you are on the Internet, you can go directly to many information sources and simply download and print information of interest to you.

The Federal Trade Commission is a source of information, forms and regulations that affect franchising. Call the Federal Trade Commission, Public Reference Branch at (202) 326-2222, stay on the line for an information specialist—do not enter the information menu system for this item—request a free copy of the pamphlet “A Consumer Guide To Buying A Franchise.”

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Use the information menu system for consumer credit information, copies of consumer education brochures and information about franchising. Franchising information available includes: access to federal disclosure requirements for franchises, a copy of a federal disclosure for a specific franchise, information on complaints on file, as well as information about filing a complaint. You can also access the commission's Web site at <http://www.ftc.gov>.

The International Franchise Association is a trade association for both franchisors and franchisees. They have franchise resource books that are sold to the public for fees ranging from \$15-\$95 dollars. The association offers franchisees' seminars, networking opportunities and "how to" information. You can access franchise information, as well as information about the association itself at <http://www.entremkt.com/ifa> or call (202) 628-8000.

The American Association of Franchisees & Dealers is another trade organization available to you. Formed in 1992, the organization has Trademark Chapters, which represent all of the franchised systems in which they have significant membership. The organization offers members publications, discounts and a professional referral network. You can access franchise information and association information at <http://www.aafd.org>.

Once you have gathered information about franchising, you need to evaluate the information and form opinions. For a free and confidential source for information review, discussion and business counseling, contact the SCORE Association (Service Corps of Retired Executives).

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Customer Service

Ask SCORE

429 Words

What Does It Take To Satisfy Customers?

As an entrepreneur, the answer to this question is your top priority. Today, customers have higher expectations than ever before and are less likely to tolerate poor service. It is not enough to meet customer's expectations, you must exceed them. Remember, service isn't just a policy or guidelines but a feeling that the customer responds to.

In order to exceed customer's expectations, you must first know what they are. Basic service includes returning phone calls in a timely manner, making deliveries when scheduled and treating their problems as if they were your own—even if it costs you more money.

To go beyond the basics, however, use surveys to get constant feedback. Through surveys, you can learn the little things that mean a lot to your customer. Perhaps it's as simple as not giving enough condiments with lunch deliveries or a bigger problem to be addressed such as a rude employee.

Business owners need to take responsibility for the actions of their employees. Proper training on the importance of customer service is important. Employees should also be well-versed in proper phone etiquette.

Go beyond your customer's expectations and you will create loyalty. Paul R. Trimm at Brigham Young University's Marriott School of Management uses a formula for customer service called VISPAC, which stands for:

- **Value.** Give customers a little more value than they expected
- **Information.** Provide information about what your customer has purchased.
- **Speed.** Return all phone calls and emails in a timely manner. Always deliver on time.
- **Personality.** Promote a friendly image in your office. Ensure every customer is greeted when they walk in the door. Keep your office clean and inviting. Make sure employees are well groomed.

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- **Add on.** Give customers a bonus like a coupon or a free gift.
- **Convenience.** Make it easy for customers to come to you. Analyze the inconveniences of your business: are there enough parking spaces? Could you offer delivery service? Should you stay open on weekends?

To learn more about achieving a professional home-based business, contact the SCORE Association. The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Customer Service

Ask SCORE

Personal Service Is A Small Business Advantage

Good personal service in retail establishments is difficult for many firms to achieve. This is especially true in larger department stores and retail chains, where the overhead costs of adding sufficient service personnel can be prohibitive. Increasingly self-service is the mode of service today.

The gap between full-service and self-service provides entrepreneurs with the opportunity to deliver personalized service. Know your customers, their wants, needs, preferences and price point. Your knowledge can provide them with a better shopping experience and your store with more loyal customers. The small business owner has the opportunity to order a select line of merchandise or offer a customized line of services. The level of customization and targeting a small business can achieve will draw a specialized audience loyal to a particular product or service category. The personal service that accompany such offerings close provide value-added benefits to the consumer.

Keep in mind that exceptional customer service doesn't just happen. Your small sales force should walk in the door well skilled, well paid and well motivated to perform. If personalized service and strong product knowledge are part of your marketing and sales strategy, you may be paying a more premium price for your sales agents. If you are paying those key staffers above average wages, be sure that you incorporate sales and service goals into an incentive plan. Get a return on the staff investment that helps grow the business.

One aspect of good personal service is matching the customer's needs with the business's products or services. The better this match the better the personal service. Another aspect is customer relations. Each buyer should be made to feel important and valued. Only when both aspects of the relationship have been fulfilled can a profitable, long-term relationship be forged between the patron and the business. Conduct period role-playing or training sessions. Keep your skills and your employees skills keen in three areas: demonstrating a sincere interest in the customer; listening to the customer to ascertain his or her true needs; and building product and service knowledge to offer customers informed suggestions.

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A sound sales program is based upon the sales people. Staff selection, staff training and staff compensation. The small retailer doesn't usually need a formal structured training program. However, routine sales meetings and informal training sessions can help employees perform better in their day-to-day activities. As the business owner, all these efforts are designed to help you draw more sales and build a solid bottom line for the business.

If you would like to discuss personalized customer service, personal selling or sales force training, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Customer Service
Ask SCORE

551 Words

Before You Say Yes To The Sale...

A ringing telephone can be music to a new entrepreneur's ears. Hopefully, it means that potential customers have heard about your services and are eager to learn more. Even better, the caller may have an assignment that is right up your alley.

Naturally, there's a strong temptation to say "yes" to anything when you're starting out. After all, new projects do more than simply get your business's cash flow started. They create opportunities for more work by providing solid experience to offer other customers, as well as those all-important word-of-mouth references from your satisfied clients.

But before you plan the celebration for your first big job as an entrepreneur, take a moment to lay down some business "ground rules" for accepting new projects. Saying "yes" may seem like a no-brainer, but it could just as easily spin your venture into a different and less desirable direction. As your business grows, these considerations will also prevent you from becoming overextended. And by making these rules ahead of time, you'll be in a better position to make informed decisions once the calls start to come.

Can I do this job? New businesses may be tempted to take on projects that are outside their primary scope of services. Never agree to do a project unless you are absolutely certain you have the time, expertise, and resources to do a satisfactory job. Also, make sure you want to continue doing this type of work in the future; you may begin receiving calls for similar assignments, instead of the type of work you intended to do.

Scheduling. Consider whether this project interferes with other assignments underway or are realistically on the horizon. The project may also necessitate additional help or resources. If so, be sure you have a ready source of qualified assistance, equipment, and supplies.

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Terms. You and the customer should agree on a price before you begin work. This includes hourly rates, retainers, expenses, and payment schedules. While it may be tempting to compromise your fee schedule for the sake of getting work, you should avoid underselling your services for the sake of having something to do. Otherwise, you penalize your business and yourself. What's more, your customers may expect to pay the same amount for future projects, and resist any price increases.

Other projects. One new project may signal an avalanche of other work. While the prospect may seem exciting, remember that you are committed to doing this job, even if something more interesting or lucrative comes along.

Need help with other decisions regarding your new or growing business? Contact your local chapter of the Service Corps of Retired Executives (SCORE). Whether it's a "big picture" issue or a day-to-day detail, SCORE's volunteer counselors will lend their experience and insights to help you make the right choice.

The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

###

Customer Service

Ask SCORE

577 Words

Before You Say No To The Sale...

When can you be confident that your new business is “established?” Some entrepreneurs believe it’s when they can say “no” to a prospective client or project. They may be too busy with other assignments to take on more work. Or, they’ve built a reputation in one discipline, and are reluctant to venture “outside the lines” for something else.

Is there a right time to refuse a business opportunity? That depends on your type of service or product, and the business cycles that influence your customers’ needs. You may feel overwhelmed today, but find yourself idle in just two weeks. And even if you have to turn down potential customers, you don’t want to close the door on the possibility of working with them in the future.

So before you say “no,” take a moment to consider a few key issues:

Is project time-sensitive? Given the demands of your schedule, you may be able to handle the job at a later time. See if the customer is willing to wait, or if there’s some preliminary work that you can do without compromising your current schedule. You can build and maintain a comfortable backlog of work that meets everybody’s needs.

Can I get assistance from someone else? Arrange and maintain an informal cadre of back-ups: people and businesses you can call on to handle some of your overflow. (They may very well be other new entrepreneurs in the same position you were in not too long ago.) This gives you the capability to outsource part of the project, though you should advise the customer of your plans. And if you can’t handle the assignment at all, you’ll be able to refer the customer to someone else capable of doing the job.

Are some parts of the project outside my scope? You may feel qualified to do only a portion of a project, while other aspects are better suited for someone else. This is where networking really comes in handy. It may be possible to team up with other businesses that specialize in the products or services that you need to complete the assignment.

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Naturally, this approach requires planning, coordination, and an understanding of each other's capabilities and limitations. However, you may well create a regular exchange of work among the members of your network.

Whatever you decide to do, be honest with your customers. Explain why you can't take on the project, provide realistic assessments of the alternatives, and be proactive about finding solutions. If you do refer them to another source, make sure that business is as qualified as you are. Your customers will appreciate your good advice, and be more likely to solicit your help again in the future.

Need help making tough decisions that effect your business? Contact the counselors at your local chapter of the Service Corps of Retired Executives (SCORE). You'll receive expert assistance with a broad range of business issues and considerations—all for no charge.

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Customer Service

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525 Words

Retailers Represent Their Customers

Retailers must act as agents for their customers. You become a personal buyer in a sense. Your judgment in choosing appropriate, quality merchandise adds value to your business. You are not simply a wholesaler or distributor. You and your retail store should be a place where customers want to shop, because you provide a reliable source of what they desire. Customers do business with those business, which serve them well. Be sure your merchandise selection, displays, pricing and promotions all attract customers to your store. Foot traffic is important; both browsers and buyers need to be regular visitors.

Successful retailers understand the need for dealing with suppliers who will stand behind their merchandise, so that retailers can do the same. Seek out those vendors that will guarantee any item for store credit if the customer is not satisfied. Only when dealing with such suppliers can retailers offer the same warranty. You and the manufacturer want to deliver quality products, such policies allow both of you to control quality and customer satisfaction.

Today, retailing is vitally concerned with customer motivation. You want to know why they buy one product rather than another of similar price and quality. You also want to look for trends that may indicate the direction consumer tastes may take in the upcoming months or year. Follow industry trade data and demographic surveys carefully. Keep up-to-date on information about popular culture and hot, new products. Attend trade shows for new product and promotion ideas. Also visit competitors' stores. You need to know what else is out there—your customers know.

Customers today are better informed than every before and they are bombarded with visual appeals to buy. Your promotions need to have impact to draw consumer attention, so you are not lost in the clutter of advertising messages in the marketplace. Retailers must employ well-educated and articulate sales personnel—your sales force is the front sales line and their quality directly reflects on the quality of the store. You want everything in your store from merchandise and displays to sales people and return policies to reflect the style and preferences of your target consumers.

Also keep in mind the mobility of your customer base. People are continuously moving in and out of a store's market area. There is always a new audience to

reach. Attract new customers and keep existing customers satisfied. If you are not located in a high traffic boutique district or shopping center, you must be particularly diligent in drawing new customers to your store.

If you would like to discuss retail merchandising, product selection or consumer loyalty, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Customer Service

Ask SCORE

443 Words

Is The Customer Always Right?

No one is right all the time. However, your operating principle does need to center on the customer. And, for your purposes the customer is always right. Every successful business owner makes decisions based upon the perception of what customers want. To be successful, you have to offer the right products, at the right prices and offer merchandise when and where customers want it.

The customer's point of view is the viewpoint you need to see. Your decisions should reflect sensitivity to the customer. Customers recognize good merchandise, convenient locations and quality customer service. It's up to you to create that shopping environment for your customers.

Now that you have an operating principle, you have to decide how to apply it to customer complaints. No matter how good your product or service, customers may have difficulties or complaints. Try to view complaints as positive input for improvements. A properly treated customer complaint can change a dissatisfied customer into a satisfied customer. It takes patience, diplomacy and an honest willingness to meet the customer half way to effectively resolve customer disputes. Develop a written customer service policy to help you cope with consumer complaints. Also consider the following five tips:

- Listen to each complaint and consider it seriously. Never mind how foolish it may sound to you, most people will not complain unless they feel they have a legitimate grievance.
- Try to take the customer's point of view. If you were in the customer's place, how would you feel? Would you feel upset or angry if the incident happened to you?
- If investigation is necessary, do it while the customer is present.
- If investigation shows that the customer is right, admit it at once. Apologize and offer to make amends then and there. An open and honest response brings you from conflict to common ground.

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- Should the complaint turn out to be baseless, try to let the customer save face. Offer that the feedback has helped you evaluate and improve your service.

If you would like to discuss customer-focused selling customer service policies or dispute resolution, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Customer Service

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445 Words

Shop Supervisors Can Be An Asset

The careful use of shop supervisors within the scope of their management and industry background can be an asset in a small business. Manufacturing and technical service companies can benefit from the assistance of a shop supervisor who: dispatches work, coordinates schedules, manages workflow and oversees quality checks. The supervisor assumes some of the responsibilities of the manager or foreman to help oversee the output of work moving through the business. This supervisor can have a positive affect on scheduling, productivity and customer service.

A supervisor typically assigns work, sets up jobs, trains new operators or technicians and inspects the final project. A working supervisor may also perform certain bench operations. However, the most effective use of a shop supervisor is to supervise. A shop supervisor can generally manage the workflow for 10-25 workers depending upon the number of tasks and frequency of turnaround on the specific jobs.

The supervisor is the vital link between the owner and the production force. In that role the supervisor plays a major role in the success or failure of the business. The relationship between the owner and key management employees should be close. The owner doesn't have time to necessarily take the pulse of the business on a daily basis. The shop supervisor provides valuable feedback to let the owner know how sales volume, production and quality are working together for the company.

In some firms, there will be a service or production manager, who oversees the shop supervisor and overall shop operations. As a small firm grows, this is a desirable arrangement. The owner can give more sales and production goal responsibilities to the manager, who works with both the owner and shop supervisor. As staffing permits, the owner can handle major sales responsibilities with the support of the service or production manager. As much as possible, you want to free up the time of the shop supervisor to be a resource to technicians, so those employees can successfully meet production goals.

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If you would like to discuss shop production goals, shop supervisor roles or how to effectively manage a production operation, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Customer Service

Ask SCORE

658 Words

Build Consumer Confidence In The Small Service Shop

Customer confidence is important to every entrepreneur's success; perhaps none more so than a service business. In this business, the customer rules and his or her satisfaction with service will determine whether you receive repeat business and a referral or complaints and unfavorable word-of-mouth.

In today's busy work world, consumers have to fit visits to any service business into a schedule already crammed full of appointments. Look at the operational structure of your business. Do you offer extended hours to accommodate the work schedules of your customers? Consider how long your customers have to wait for service. How long does the average customers have to wait before receiving assistance? Here are three tenets to live by as the owner of a service business: offer quality work at reasonable prices; make customers feel comfortable; be honest.

Provide Quality Work At A Reasonable Price

Quality is your foundation. As a service company provide a quality service. Without this base, nothing else is going to make your shop successful at attracting and keeping customers. The typical customer doesn't know that much about the technical side of your business. The customer will judge you on the results. Regarding price, many service businesses are competing in markets with numerous other vendors who offer similar services. Evaluate the market's price range. Don't under or over charge for your services. Keep your prices along the average. Price competition can be fierce. You need to get clients in the door to provide quality service that keeps them coming back. Often price and word-of-mouth determine which service shop the customer will choose.

Make Customers Feel Comfortable

Be helpful and pleasant. Train your employees to be patient with consumer questions that to your trained technical staff seem simple. A comfort level and trust is built upon the foundation of the relationship your customers develop with front line service personnel. Be sure there are systems in place to manage the production side of the business. You want your front line service employees to dedicate time to the customers not production. The bottom line for the customer is the service provided and customer service factors heavily into the equation.

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Do you have a policy on how to address service errors? Do you know how to handle a disgruntled customer or a customer pushing for special discounts? Your employees need to know how you want them to handle such situations. And, you as the owner need to establish parameters for dealing with the small percentage of customers who are difficult to serve.

Be Honest

In all business dealings, honesty is the best policy. No one likes to hear that a service problem has not been solved or that the resolution will take longer than expected. If there is a service delay for any reason, tell customers right away. “No one told me the job would not be done” is a frequent complaint in a service setting. Be proactive. While the customer wants work completed quickly, he or she will be more willing to accept a delay when told before returning to the service shop, only to find that the work is not yet completed. You must continually gain consumers’ trust. Provide the consumer with all details for the service and offer a detailed bill to show specific charges.

If you would like to discuss customer service policies, employee training or processes for delivering quality service, call the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Customer Service

Ask SCORE

540 Words

Small Businesses Offer Credit To Customers

Offering credit is essential to the success of many businesses. While many firms could not exist without extending credit, it is a high-risk venture for the business owner. The reason this is such a risk for the entrepreneur is the limited amount of ready cash that remains in the business at any one time. The more outstanding debt, the less cash in hand. If you plan to offer credit, manage the process carefully.

Credit must be managed with firm controls. The objective should be to achieve the greatest sales with the least amount of loss. Every business that offers credit needs a written credit policy. That policy should be communicated to employees, so they understand their obligations in accepting credit. The policy should state specific standards under which credit will be extended, such as a good credit history from a credit bureau or Dun & Bradstreet report and good bank references.

Unfortunately, many small businesses are lax in their investigation of credit histories. They may take evidence of one credit card as evidence of low risk. In fact, many consumers who are overextended have more than a single card and would refer only to those cards where they are up-to-date with their payments. If your firm is selling to other businesses, make sure you obtain good credit references from their suppliers.

Make credit checks a routine process. You may be accepting credit cards from consumers, but in the case of business customers you may be issuing credit in the form of payment terms for a 30-day period. A periodic review of each account is essential in order to control the age of your receivables. The longer money has been outstanding, the more difficult it becomes to collect that money. If you find that an account is consistently overdue, reduce the credit limit or cut off credit entirely. Credit means someone is using your product and/or service and your money in order to do their business. Your obligation is to ensuring that your customers pay their debts.

You will need a system for following up on overdue accounts. It may be first by a notice on the next bill, accounting the late account. The second notice may be a letter followed by a personal phone call.

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The final step, if required, may be to turn the account over to a collection agency or attorney for action. The key is to manage the process before you ever reach the point where the debt is either so old or large that you have to take extreme measure to collect the money owed to your business.

If you would like to discuss credit policies, accounts receivables or managing in-house collections, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Finance

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Business Figures Provide Valuable Information

666 Words

Become very familiar with your balance sheet. A balance sheet shows where your business stands at any particular moment. A profit and loss statement (also called an operating statement) totals the result of operations over a selected time period. Each statement is merely a collection of figures. However, with proper interpretation and evaluation, this collection of figures becomes an important indicator of how financially successful the business is at this time. Understanding the balance sheet and the implication of the financial results it reveals are valuable tools in making operating decisions that will impact sales, expenses and profit.

The single balance sheet is like a snapshot. It measures the condition of the company at a single moment in time. The balance will show how the capital within your business is distributed. The amount of capital distributed over the various accounts in the business and the surplus of assets over liabilities shows profitability. If the snapshot shows that liabilities are greater than assets, you then see a loss position for the company at that time. Even more important are trends over time. A company may have a month with high expenses that result in a loss. However, the trends may show five months of profitability. The net effect of the six months may be profitable, even though one month showed a loss. If three months show a loss, then the owner must decide how to overcome the negative cash position.

Compare balance sheets over a period of time to gain an understanding of your assets and liabilities. Let's say you review your quarterly balance sheets over several years. By comparing these on an item-by-item basis, you can spot trends. You are now gaining a real understanding of the overall financial structure of the firm. For example, larger quantities of merchandise on hand from one period to another may be a reflection of that decision to buy ahead because of continuing inflation. Receivables may show a continuing upward trend when collection of outstanding accounts is not pushed for collection within 30 days. Debts may run higher when the firm expands or makes capital improvements. This information provides management information, to help the owner make decisions about the prudent and fiscally sound operation of the business.

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The profit and loss statement is another valuable tool in ascertaining the company's performance for a given period of time. The statement will show sales volume, cost incurred and the amount of profit or loss. Comparing the profit and loss statements of successful periods monthly or quarterly can be very revealing. Why was there a lower gross profit for each of several quarters? Did price cuts decrease per sale profitability? Was a higher proportion of sales spent on operating costs such as personnel, rent or insurance? Are overhead costs increasing routinely?

Although, your accountant should be able to give you advice and guidance, you should also have a clear understanding of how to read, interpret and act on financial information. As the decision maker, you need to know what effect decisions have exerted on profit in the past and what decisions need to be made to control costs, increase profitability and improve cash flow. The flow and use of money in your business is critical. Your salary and the continued profitability of the business depend upon you and your ability to make sound financial decisions.

If you would like information on how to read and interpret financial data, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Finance

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Is Venture Capital Good For Your Business?

641 Words

Venture capital is a possible source of funding for new, relatively unproven enterprises that appear to have promising futures. However, such money is often hard to come by. Be realistic in your quest for venture capital. Venture capital firms expect a business to be able to return their investment not only with interest, but with a large profit. Many venture capital firms are affiliated with banks, insurance companies, other financial institutions and large corporations. Some are owned by individuals or private groups of investors and a few are publicly held. Once you accept venture capital, you have relinquished some of your autonomy and accepted the understanding that the venture capital firm will take a large share of the profits you earn.

As the entrepreneur, you should understand the nature of a vendor firm, before pursuing this as a financing source. This type of investor expects a projected return on investment that is directly related to risk. The greater the risk, the greater the return expected. Typically, however, an investment firm will not be interested in getting involved with a new firm until the business has established itself in some way, so the risk factor can be determined.

The venture capital firm and its interest usually depends upon the stage of the new firm's development. Once the new firm has established itself and has a working organizational structure, a viable business plan and start-up arrangement—a venture capital firm may be interested. However, some firms prefer a later stage of new business development, perhaps when the new company is in its second or third round growth state and needs more capital either to carry out expansion plans or to tide it over until a merger or public offering carries it to the next stage of corporate growth.

A company's business plan serves as the primary analytical tool for the venture capitalist. In analyzing the plan, a venture capital firm would most likely focus on three features.

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- **The product or service.** Investors seek product or service innovations that give the company a strong competitive advantage. A new idea, backed by market surveys (measuring the appeal of the product or service and its potential market) may be tempting to such investors.
- **Management capability.** No matter how good the product or how innovative the service, the quality and experience of the management is a key factor in the success of the business. The astute investor is well aware of this and looks for solid evidence of such skill.
- **The industry's growth.** Investors also want to be sure that the product or service is in a growth field. A significant or revolutionary product improvement, by itself, may not have appeal in a declining product or service category.

Most venture capitalists purchase common or convertible stock rather than burden the fledgling enterprise with interest payments on debt or debentures. They may possibly want more than 50 percent ownership. Additionally, while the venture capitalists may insist on sitting on the Board of Directors or offering management and technical advice, they are rarely interested in the day-to-day management of the enterprise, unless its survival and their investment is at stake. Keep in mind that the minimum investment is generally from \$50,000-\$500,000, but investment ceilings are almost unlimited.

Before taking the next step, get outside advice. Talk with your accountant and tax advisor. You may also call upon the expertise of the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Finance

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Prepare A Complete Loan Application

837 Words

It seems simple. If you want a bank to loan you money, then you want to present a strong case for your business as a safe investment for the bank. Small business owners are indeed turned down for much needed loans. Often the bank's decline can be traced back to an incomplete or inaccurate loan application, business plan and/or financial statements.

Loans are often turned down because the loan application or supporting documents are poorly prepared. If you find yourself in a cash crunch, you want to obtain a loan quickly and efficiently. To gain the confidence of the lender, you must demonstrate both your seriousness and preparedness. Loan officers look for red flags in packages. A well-prepared package that accurately reflects the business and provides all of the information requested, helps to indicate your seriousness about receiving the loan and being both willing and able to repay the debt.

Make bank contacts long before you need them. If you're starting a business, get to know the loan officers at your bank. They will be more comfortable making a loan to a person they know. Early meetings give you a chance to tell loan officers about your business and its aspirations. You begin laying a foundation for a business relationship. A good, long-term banking relationship brings valuable goodwill, which can improve your ability to do business. Prepare for the loan process early. Start by obtaining a loan application. Know what the bank will expect of you, before you plan to ask for money. Several common elements of a loan application package appear below.

- **The Company's Business Plan.** This plan is a complete description of the nature and type of your business. The plan includes resources available to you and how you plan to put resources to use, in order to meet your goals. Specific goals, timelines and financial objectives should be included in the plan. In addition, the plan should include a one-page executive summary that provides a synopsis of the overall plan. Your business plan may average three to thirty pages in length, depending on the complexity of the business. Your plan should include an assessment of your competition and your role and strategy in the marketplace.

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- **The Company's Balance Sheet.** The balance sheet is a listing of the assets and liabilities of the firm. This statement gives the bank an idea of the stability of your firm. If the business is a start-up, include a statement of assets and start-up capital that will be brought to the firm. This statement may include your own financial contribution, as well as that of a partner or investor.
- **The Company's Cash Flow Statement.** This statement will show how much liquid cash is available within the business. It provides a snapshot of how sales and expenses affect your operating cash on a monthly basis. The cash flow statement provides the bank with a picture of how much cash you have on hand and whether you will be able to assume an additional monthly expense in the form of a loan payment. A start-up company will often be asked to prepare a cash flow projection. This start-up projection will take into account the tendency for sales to begin slowly at first and build over time.
- **Your Resume.** If the loan officer does not feel you have the experience necessary to develop a successful business, you may have to provide a statement of your personal assets and pledge some of those assets as collateral for the loan. A lack of management experience is often cited as the main reason for small business failures. If you can demonstrate management skills that encompass: financial, operational and employee issues in your resume, then you build the bank's confidence in the amount of knowledge and skill you can bring to operating a business effectively. This resume is most often requested of start-up businesses; however, a business owner should be prepared with his or her resume as well.

Whether you are currently in business or planning to start a new company, begin planning now. Even if you don't need a loan today, it is good business to prepare a business plan that outlines the goals and outcomes you expect from the business. The business plan takes your ideas and puts them in writing, so they remain tangible to you and become tangible to potential lenders.

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If you would like to discuss loan application preparation or business planning, contact the SCORE Association (Service Corps of Retired Executives). The

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Finance

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Business Valuation Critical Before Purchasing A Small Business 693 **Words**

Before you buy a small business determine its worth. This is a crucial business activity. If you purchase a business that is overvalued, you paid more money than the business was worth. If you purchase a business that is undervalued, you may save money in the short-term, but may have invested in a weak business. Value is important; you want to look at assets, accounts receivable, sales and balance sheets. Do not value intangible assets such as goodwill and reputation. While important, you do not want to pay cash for such items. The valuation of the business should also be agreed upon by the seller and potential buyer.

There are two basic methods of evaluating a business: the appraised value of the assets at the time of negotiation and future expectations of profits and return on investment. Appraisal of assets is the more common method of setting the value of a business. The present value of the business is based solely on the value of its current assets. This method is probably used so often because it is the simpler and more tangible method.

Since valuation of assets is more common, here is a bit more information about the assets that are valued. As an asset the value of inventory carried on the books for merchandise is the price paid rather than the current value. This can lead to assets being dangerously overvalued. Base inventory valuation on current value, rather than purchase price. The total inventory value could be grossly overstated, if the inventory is loaded with items no longer in demand or items whose price has dropped.

Give special attention to accounts receivable. Examine these accounts carefully to make sure that there are not many overdue accounts, which may be uncollectible. Ask for a report showing the age of receivables, accounts which are not due yet, due now at 30 days, overdue by 30, 45, 60, 90 and 120 days. The older the accounts receivable the less likely the money will ever be collected. If the business has a large number of accounts at 45 days or 60 days, check the payment history of the clients in question. Do those overdue accounts get paid by clients who routinely pay slowly?

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This is crucial information—money you can't collect offers no value to the business. Using future expectations as a valuation tool is risky. This method establishes a value for the business based upon the future expectations of its profits and return on investment. The buyer looking at the business history and projections for the future may opt for obtaining financial statements, business trends and forecasting of the businesses future based upon its past performance. To obtain a clear picture of the business, both the potential buyer and the seller need to consider factors such as trends in sales and profits, the capitalized value of the business and the expected return on inventory. Such projections are not easy, but can begin with the preparation of projected profit and loss statements.

The buyer should always remember that the seller's own statements are likely to be overly optimistic and even overstated. The buyer must be wary of the business that looks too good to be true. The best way to decide how far ahead to project statements is in terms of the expected return on investment. If it's estimated that the business should return 20 percent on the investment, then the investment capital should be returned in five years. On this basis, the projected statements should cover five years.

If you would like to discuss business valuation, contact the SCORE Association (Service Corps of Retired Executives.) The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Finance

Ask SCORE

576 Words

How Much Should I Charge?

Setting a fee schedule can be one of the most perplexing issues for new entrepreneurs, particularly those who work on a per-project basis. Your prices should reflect the value of your work, and produce a realistic profit margin. On the other hand, customers may have different opinions on what's "fair" based on their expectations, experience in contracting for such services, and knowledge about your capabilities.

Many trade journals and professional organizations publish baseline rates and fees on a national, regional, or local basis. Networking with other entrepreneurs can be helpful, though some consultants may be justifiably reluctant to discuss fees with potential competitors. Don't stop at simply learning the "going rate" for your services; learn the story behind those prices. Adopting another company's fee schedule may not be appropriate for your business or your customers.

A good starting point is to set an hourly rate. As you gain experience, you'll be able to set flat fees for projects based on their complexity, time and resource requirements, and other factors. Many rates can be based on what a company would pay someone with your skills to do the same kind of work in-house.

Say a comparable full-time position for your service pays \$30,000 a year. Dividing by 2,000 (approximately 40 hours a week for 50 weeks) results in \$15 per hour of straight pay. Next, add a percentage to cover the cost of fringe benefits that employers normally pay (e.g., Social Security, unemployment, hospitalization, etc.). Generally, fringe benefits equal one-third of an employee's pay. Then, figure a percentage for overhead costs: office space, equipment, supplies, vehicles, and time devoted to business development and research. Fifteen percent is a common premium.

You may also want to consider a profit percentage for funding capital investments or future growth, and surcharges for time-sensitive assignments that may require extra effort or rescheduling on your part. Many consultants also offer discounts for high-volume customers.

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Other variables that influence your prices may not become apparent until after you've been in business for some time. Regardless of your method, make sure that you and your customer agree on a price up front, especially if expenses and surcharges are involved. If the customer wants to negotiate, weigh the pros and cons of a lower fee. Is this a one-time project, or will there be a steady stream of work to come? Does the client have a reputation for reliability? Will you still be able to cover your costs of doing business?

Above all, be consistent. You may be tempted to accept less money because you need the work, or you want to build a relationship with a particular client. Be careful; your clients may expect that rate all the time. Attempts to subtly "nudge" your prices up without warning could result in loss of both your customers and your good name.

For more help with setting a fee schedule, contact your local chapter of the Service Corps of Retired Executives (SCORE). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

###

Finance

Ask SCORE

537 Words

Preparation Makes It Possible To Obtain Financing

Don't wait for a crisis before planning for financial needs. A carefully planned financial projection can alert a business owner to a future shortage of funds and can prevent a last minute cash crunch. To plan your firm's financing needs, start by answering four basic questions:

What do I need the money for? The most common reasons for financing include starting or buying a business, increasing working capital, preparing for seasonal peaks, purchasing new facilities or equipment, or sales expansion.

How much do I need? The use and timing of financing usually determines the needed amount. Consider factors such as the type of business, stage of growth and whether the funds are to be used to increase working capital or invest in fixed assets.

How and when will I repay the money? The type of financing determines how and when it will be repaid or returned to profits. A new business may need long-term financing to invest in new equipment, with increased profits brought in by the new equipment going towards repayment of the loan. An established firm operating on a seasonal sales cycle may require only short-term credit that is repaid as inventory is sold.

Can I afford the cost of the money? The income generated by financing should always outweigh interest charges or the amount of ownership given up. Keep in mind that the bank loaning you the money may require that you offer assets as collateral for the loan.

Detailed projections are needed to plan for a new business or to guide a firm through growth that significantly changes its business patterns. The plan should concentrate especially on marketing, production and distribution, as well as how the three aspects will be developed to handle growth over time.

The business plan can be translated into the hard dollars and cents of a capital expenditures budget and a projected profit and loss statement.

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The capital expenditures budget lists the planned purchases of facilities and equipment, plus expected physical improvements. The profit and loss projection shows the estimated gross sales on the income side for a given period of time. On the expense side it includes the cost of goods sold, rent, labor, supplies and advertising.

A profit and loss projection shows a break-even point and the point at which a profit is available for reinvestment in the business. A loss might signal a need to increase sales, tighten management, curb expenses or seek additional funds. If you project a cash deficit in a period, check with suppliers to try to extend the credit period, or cut back on optional spending.

If you would like to discuss business planning or financial planning, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Finance

Ask SCORE

Are You Prepared To Ask For A Business Loan?

Access to capital is important to a small business. Many small businesses are undercapitalized and need additional cash to expand operation, upgrade equipment or engage in research and development. More often than not the entrepreneurs funds are tied up in assets that are not particularly liquid. Ready cash is usually in short supply. Banks are a reliable source of funding for small businesses. SBA-guaranteed loans and commercial bank loans are available to help both the start-up business and the small business that needs more capital to succeed.

Generally, loan officers require the most information from a first-time borrower. Banks may offer an unsecured loan, although that is less likely. Unsecured loans are made based upon assets, credit history and ability to repay. However, these loans do not require you to personally secure the loan with personal or business collateral. The more common secured loan requires that you guarantee your willingness and ability to repay the debt with an asset such as real estate, stocks or securities. Loan packages become more detailed as the size of the loan increases or the length of the repayment timetable is extended.

As part of a loan application you will generally be required to provide: a business plan, a resume, a credit history with references and specific loan documents required by the bank. For both new and existing businesses, banks will want to know your level of education and practical business experience; management experience is something the loan officer will look for in your work history. In addition, the bank will review your personal credit history.

For existing businesses, the credit history and an accounts payable balance sheet may be requested. A business plan is typically requested by the loan officer. The business plan should clearly describe the business, its goals and objectives, as well as the financial details supporting the tangible goals set for the business. A well-conceived and thorough business plan will have an impact on the bank's perception of your commitment to the business and its financial success.

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If you would like to discuss loan application processes, building a loan request package or preparing a business plan, contact the SCORE Association (Service

Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Incorporating Can Open Up Sources Of Capital

Incorporating your business may be preferable to operating it as a partnership or sole proprietorship because of available corporate tax benefits and the limitations placed on personal financial liability. Generally, corporate stockholders are not liable for claims against the corporation beyond the amount of their original investment.

A small firm that incorporates issues common stock. Typically this stock is privately held by a limited number of stockholders. Purchasers of common stock become partners in the firm and may, if they wish help determine the firm's operating policies. A significant benefit of incorporating is that it can also open up other avenues of capital for your business.

Beyond issuing common stock, corporation has other built-in investment vehicles they can use to attract capital. One is to offer preferred stock. This type of stock gives its holders a claim on repayment over holders of common stock, in the event the business fails. Those who hold shares of preferred stock are usually limited to receiving fixed dividends and may lack voting privileges.

Another investment opportunity for the small company is the offer of convertible debentures. These are debt instruments that offer the option of paying interest in the form of issuing common stock. Warrants, similar to convertible debentures, allow investors to buy a set amount of stock prior to the warrant expiration.

Because debentures and warrants are both debts, in case of business failure, they must be paid before holders of common stock and preferred shareholders are reimbursed. It's crucial for small business owners to consult an attorney, banker or accountant before making such offerings. Before you incorporate look at the tax implications of structuring your firm as a corporation. Access to capital is an area of concern for most entrepreneurs, incorporation and the issuance of debentures and warrants can provide ready capital to the small business.

If you would like to discuss incorporation, access to capital or debentures and warrants, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Real Estate Can Provide Collateral to Secure Financing

Pride of ownership can lead to business failure if too much capital is tied up in real estate or other fixed assets. Many business owners avoid large real estate investments by renting or leasing their facilities. Other small businesses that own their own buildings, land or equipment can turn equity into cash by mortgaging the property to the bank, commercial finance company, savings and loan organization or insurance company.

Real Estate loans on commercial or industrial property are usually available for up to 75 percent of the property's appraised value. Repayment, usually monthly, is amortized over 10 to 25 years, with payments completely covering the loan by the end of the loan period. Shorter payment periods or balloon payments can sometimes be arranged. If needed it is often possible to obtain a second mortgage on the owner's remaining equity in the property. Interest rates are typically higher than those for the first mortgage.

If the value of the property has increased since it was first financed, it may be possible to refinance by taking out a new mortgage. The old mortgage is paid off from the new, and the borrower receives the difference. But business owners should use this method only when it is absolutely necessary—if the cash is needed for business expansion, for example. It is advisable not to risk real estate if the business is in a weak position within the market. When you offer real estate as collateral, you should have a solid business position. The real estate is simply the asset that leverages your business for growth through the liquid cash gained through financing.

Prudent business owners will carefully consider whether to borrow on their equipment to finance ongoing operations or expansion. This step enables owners to utilize capital for these purposes. Lenders will generally finance 60 to 80 percent of the value of purchase price of capital goods. The balance represents the borrower's down payment on a new purchase or the amount of equity the firm retains in its own equipment. Such loans are generally repaid in installments over one to five years.

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A business plan that covers expansion is an important element in obtaining such credit, because the plan defines the business owner's objectives in achieving success.

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###

Capital Financing Can Work For Your Business

Capital financing for your business is available from a variety of sources, including both commercial and government sources. Be prepared to request financing. Prepare a business plan in advance of your request for financing.

Commercial banks are the most visible lenders to small business, although many savings and loan associations also offer business loans. The lender will want to see your business plan, including a cash flow analysis. The specific reason for the loan and your plans for repayment will also need to be carefully spelled out. The loan officer will want assurance that the firm's management is capable. In short, the commercial lender wants to keep lending risks to a minimum. Finally, don't expect the lending institution to provide all of your capital needs. Your banker generally wants to see at least 20 percent of your own money up front as security to guarantee the loan.

If your chances of obtaining a business loan from a commercial source are slim, you still have several options. You can use personal assets as collateral—this means taking out a personal loan rather than a business loan. You shouldn't have much trouble with the concept of mortgaging your house if you really believe in your business idea. However, this decision should not be taken lightly, since it does put your family home at risk if the business fails. Another option is a Small Business Administration (SBA) guaranteed loan.

Under its guaranteed loan program, the SBA will guarantee a loan offered to an applicant by a bank that participates in the SBA lending program. Keep in mind that the loan application must meet both the bank's and SBA's loan application requirements. In addition, the applicant's reason for applying for a guaranteed loan can not include credit unworthiness. The SBA has the option of being a little more lenient about factors such as real estate value and inventory assets in the application process. Your local SCORE office can help you determine your chances of obtaining a loan. In addition, counselors can describe the various guaranteed loan programs the SBA offers and suggest the loan that may make the most sense for your business.

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Call upon SCORE for business counseling related to applying for a business loan.

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###

Finance

Ask SCORE

402 Words

Learn To Project Cash Flow To Avoid Financial Trouble

Sound financial management means knowing the firm's cash flow, forecasting cash needs, planning to borrow at the appropriate time and substantiating the firm's payback ability. Even a business with respectable sales volume is not protected against financial disaster, and it's often due to poor financial planning.

Too often small business owners feel that their knowledge of the line of business is sufficient to ensure their business is a success. However, it's not good enough to have \$15,000 in capital and a good idea for a business. You must figure cash flow over many months to construct a reasonable cash flow projection. One of the common failings of start-up companies is the lack of capital. Cash constantly flows into and out of a business. A certain amount of the owner's investment in the business should help provide the liquid assets for cash flow.

Without a floating supply of cash, almost every business will experience problems associated with the lack of liquid cash. A lack of cash to meet debts or maintain product supply can threaten a business. Bankruptcy can and does occur with otherwise profitable businesses, when there's insufficient capital to carry the business through a cash crunch. If you don't know how to develop a cash flow plan, ask for help.

As an entrepreneur, you want to minimize the risks and maximize your chances for business success. By seeking advice and assistance when it comes to financial planning, you are taking responsibility for the operational details that can make or break a business. Before you enter into contracts, have your attorney review the language to be sure that the contract works in your favor and that you understand how you are bound by the agreement. Consult with your accountant regarding financial and financial planning issues.

You can also call upon the SCORE Association (Service Corps of Retired Executives) for free and confidential business advice. The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide.

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###

Finance

Ask SCORE

571 Words

Financial Management Of Small Firms Is Different

The opportunities and challenges encountered managing a small firm are different from those of a large corporation. The owner of a small company must depend primarily on trade credit, bank financing, lease financing and personal equity to finance the firm. Some financial management problems are similar in the large and small firm.

The analysis required for a long-term investment decision is much the same. The decision as to whether to purchase heavy machinery requires similar considerations, though of course, the financing alternatives available to the large and small firm are different.

Working capital (sometimes referred to as “circulating capital”) is the difference between current assets and current liabilities. Lack of close control on working capital is one cause of business failure. The small business owner must be constantly alert to changes in working capital, the cause of these changes and their business implications. It is helpful for the owner to think of working capital in terms of its components:

Cash and equivalents. This most liquid form of working capital requires constant supervision. A good cash budgeting systems provides answers to key questions such as: Is the cash level adequate to meet current expenses as they come due? What is the timing relationship between cash inflow and outflow? When will peak cash needs occur? When and how much bank borrowing will be needed to meet any cash shortfalls? When will repayment be expected and will the cash inflow cover it?

Accounts receivable. Almost all businesses extend credit to their customers. Is the amount of accounts receivable reasonable relative to sales? How rapidly are receivables being collected? Which customers are slow to pay and what should be done about them?

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Inventory. Inventory is often as much as 50 percent of a firm’s current assets, so it’s workshop sharp and continued scrutiny. Is the inventory level reasonable

compared with sales and the nature of the business? What's the rate of inventory turnover compared with other companies in your type of business?

Accounts Payable. Financing by trade is common in small business; it is one of the major sources of funds for entrepreneurs. Is the amount of money owed suppliers reasonable relative to purchase? What is your firm's payment policy doing to enhance or detract from your credit rating? What's the timing pattern between payment of accounts payable and collections of accounts receivable?

Notes Payable. Notes payable to banks or other financial sources are a secondary financing source for small businesses. Is the amount of bank borrowing reasonable relative to the equity financing of the firm? When are payments due? Will funds be available to make these payments on schedule?

Accrued Expenses and Taxes Payable. These are obligations of the firm at any given time and represent expenses already obligated, even in payment is not yet issued.

If you would like to discuss business financing, understanding financial statements or budgeting, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Finance

Ask SCORE

529 Words

Commercial Finance Companies Are An Alternative Source Of Financing

New or expanding small businesses may be denied traditional bank loans because of limited track records, high debt, or past business difficulties. In these situations, a commercial finance company may be an alternative source of financing for your business.

While commercial finance companies, like banks, are concerned with the borrower's collateral, they also take the business' track record or profit forecast into consideration, when approached with a loan request. These firms may even lend more than the net worth of the borrower, a situation that is usually undesirable to a bank. However, there's usually a penalty to pay for having to do business with a commercial finance company. Because finance companies are willing to take on higher risk loans, they typically charge higher interest rates. The major methods of financing offered by commercial finance companies appear below.

- **Accounts receivable and inventory financing.** This is the most popular financing tool offered by commercial finance companies. Receivables are the most easily liquidated security a company owns and therefore is a more attractive avenue for a finance firm to support. But if you need to go beyond the value of your outstanding accounts, an inventory loan may be added to extend the line of credit. A line of credit helps keep ready cash available, while you are waiting for accounts receivable payments and while you wait for merchandise to be sold from inventory.
- **Equipment and real estate loans.** Finance companies will often provide up to five-year loans secured by equipment. Longer-term loans, up to 10 years, may be secured by commercial or industrial real estate. If your firm has an extensive supply of high-value equipment, you have a valuable asset that can be used as collateral against a loan. This collateral provides you with the flexibility to take on debt, freeing cash so your business is not under capitalized.

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- **Partially or totally secured long-term loans.** Some commercial loan firms now offer two to ten-year loans based upon the borrower's potential profitability, rather than on collateral. Typically, lenders will not require the same extensive financial projections demanded for unsecured lending. Instead, the emphasis is on accounts receivable, inventory and other assets, such as equipment or real estate. Lenders will generally require the usual documentation of financial statements, tax returns, credit references and management history.

If you are considering commercial financing for your business, carefully consider the amount of credit you want and the corresponding repayment burden. Evaluate the return you expect the credit to bring your business in terms of cash flow and profitability. To discuss your plans for business capitalization and growth, contact the SCORE Association (Service Corps of Retired Executives).

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Should You Incorporate Your Business?

A corporation is treated by law as a physical entity. Its life is separate from those of its owners or stockholders. The questions of whether or not to incorporate are not easily answered; however, a growing business should investigate the benefits and complexities of incorporation.

One of the main advantages of incorporating is limited financial liability for the business owner. The firm is responsible for its own taxes and debts. If the firm is sued for any reason, if debts are unpaid or the firm becomes bankrupt—the liability of the owner is limited to the value of the personally held stock. Personal assets are not at risk. Negligence may bring liability to the owner personally. In addition, being name in a civil case along with the company, may result in personal liability. The corporation offers some protection, but the owner may still want additional personal insurance to protect himself or herself against civil penalties.

For the small business owner, the corporation provides a vehicle for easily transferring ownership in the company. Stock shares may be distributed to family members or sold to investors. A small corporation that is successful creates its own financial stability. And the future of the business is tied to stockholders rather than a single owner. For the owner, this provides for the continuation of the business in the event of an untimely death. A corporation may also make it easier for the business to raise capital, borrow money and obtain credit.

The chief financial drawback of incorporating is double taxation. The company pays taxes on profits and then the stockholders—who in the case of the typical small corporation are likely to be the owner-operators—pay income taxes on the dividends they receive. This describes the (C) Corporation. The Sub-Chapter (S) Corporation also affords limited personal liability protection, as the firm is not taxed as a corporation unless its capital gains exceed \$25,000. Stockholders report their share of business profits or losses on their individual tax returns. This form of incorporation is common with small companies.

Corporations are also subject to many state and federal controls. If you want to expand your business to other states, you may have to pay additional fees. There can also be complications in filing annual tax forms, which require more extensive bookkeeping during the year. Finally, the corporate charter or articles of incorporation must state the business activities of the firm and would require amendment should you decide you want to expand the activities of the business.

Before deciding to incorporate or not to incorporate, meet with your tax attorney. Obtain expert advice as it applies to your business and personal financial situation and goals. There are pros and cons to incorporating, it is a matter of deciding what is important to you as a businessperson. If you would like to discuss the various forms of business organization, contact the SCORE Association (Service Corps of Retired Executives).

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Business Start-up
Ask SCORE

457 Words

What Are Common Incorporation Requirements?

Once the decision to incorporate your business has been made, the legal process begins with the preparation of a certificate of incorporation. Whereas in the past this was prepared by three or more legally qualified individuals—today, only a single incorporator is needed. The incorporator may or may not be a person who will own stock.

The state is likely to have a standard form for incorporating a small business. The three typical pieces of information requested are: corporate name, purpose and corporate life span. The corporate name is usually required to be a business name dissimilar from any other firm incorporated within the state. In addition, the name must not be deceptive or misleading. The state charter office can tell you whether the name you want is available. The purpose of the business must be stated. It is a good practice to use a “specific object” clause that spells out the specific purpose for which the corporation is being formed. While most corporations are formed for an indefinite period, it is possible to set up a specific limited life. Often the reason for creating a corporation is because the life span of the business is unlimited.

Incorporation documents will require: the names and address of incorporators; location of the registered corporate office in the state; the maximum amount and type capital stock to be issued at the time of incorporation; a provision for preemptive rights; a provision for regulation of internal affairs of the corporation; names and addresses of corporate directors until the first stockholders’ meeting; and the right to amend or repeal provisions within the certificate of incorporation.

The above requirements cover incorporating as either a (C) Corporation or Sub-Chapter (S) Corporation. However, the sub chapter (S) Corporation has several additional incorporation requirements such as: it must be an independent group not affiliated with any other; it may have only a single class of stock; no more than 35 stockholders and it may have only individuals or estates as stockholders; and it must be a domestic corporation. Before signing any legally binding documents, consult with your attorney for legal advice.

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If you would like to discuss incorporation or the incorporation process, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

###

Home-Based Business

Ask SCORE

546 Words

What Are The Essential Elements For A Home Office?

Setting up a home office requires careful thought and planning. To succeed as a business professional, you need to work in a professional environment. Personal touches are fine, as long as they don't compromise your office's efficiency and organization. You cannot afford to waste time tracking down misplaced tools or files, especially when a deadline is near. And if your business requires customers to visit your home, the appearance of your work environment will say a lot about you and the quality of your services.

The set-up of your home office is also important for tax purposes. The Internal Revenue Service allows a deduction for expenses related only to that part of your home used *exclusively and regularly* for business. This includes administrative or management activities pertaining to your business, provided you don't have any other fixed location where a substantial amount of these activities are performed. The deduction includes the mortgage/rent cost of floor space, utilities, and furnishings for areas where you actually perform your business, as well as customer reception or meeting areas. You may also deduct expenses for parts of your home used as a daycare facility, or to store inventory you sell in your business—even if you sometimes use those areas for personal purposes as well.

Some key aspects of setting up a home office include:

Dedicated telephone lines. This is a must if you regularly work on-line or use faxes, and if you want to deduct the telephone as a business expense. Remember, this line is for business purposes only. If you decide to have only one phone line for both personal and business uses, it's permissible to deduct business-related long-distance expenses as long as you clearly identify those calls in your records.

Utilities. You'll be spending a lot of time in your home office, so make sure it's both comfortable and efficient. Your office/work areas should be well lit and properly ventilated, and have enough power outlets to safely support your equipment. Any costs incurred to add outlets or extend heating/cooling systems to your office are deductible.

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Furnishings. Look for sturdy furniture suited for the type of work you do

(e.g., desks for writing/editing, or workbenches for custom carpentry), plus file cabinets, credenzas, and any other items needed to organize records, tools, and supplies. Client waiting/reception areas should be furnished with chairs, lighting, magazine tables, and displays.

You can learn more about home office essentials by contacting your local chapter of the Service Corps of Retired Executives (SCORE). Along with helping plan your home office, SCORE's experienced counselors will show you how to make the most of the time you spend there. They can also assist you with the many important tax issues related to home-based businesses—all for no charge.

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Setting Up a Professional Home Office

Just imagine the luxury of working out of your home. Throughout a conference call you are wearing a bathrobe and slippers and no one is the wiser. Sound tempting? Although your clients will not know that you are working from your bedroom in a bathrobe, it is important that you commit yourself to professionalism while working at home. Professionalism shows your client that you are committed to the service you are offering. Follow this advice to set up a professional home-office.

Legalize It

First, check with your local zoning office to learn about how zoning regulations in your area may affect your business plans. If your business requires permits or licensing, file the necessary forms.

Set Up A Professional Work Space

Set up your home-office as if you were working in an office downtown. Rent a post office box and use that address instead of your home street address on business cards and stationery. Install at least three phone lines. One for the fax machine, one for business callers and one for personal callers. Use voice mail so that a client can leave a message while you are on the phone instead of getting a busy signal or having call waiting interrupt their calls.

Carefully design your work space according to your work style. Make sure you have plenty of space and position what you use most close to you such as files, diskettes and reference material.

Create a work space that helps you concentrate. Use bright colors or dark colors, face the window or away from the window—whatever works best for you.

Establish Contacts

From home, you may not have the same opportunity to network as if you were working in an office building. Make an extra effort to establish contacts with potential clients and competitors by joining a professional association. Have your clients suggest new clients and ask if they will recommend you as well.

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Keep Careful Records

Keep excellent records of all work related expenses. The Internal Revenue Service (IRS) tends to audit home-based businesses more frequently—especially when expenses, such as a percentage of their home mortgage, is written off as a business expense. There are many day planners that can help you document all of your business expenses. Your accountant can advise you on keeping careful records and claiming deductions.

Discipline Yourself

With so many distractions in your home (the refrigerator, repairmen, delivery people, tele-marketers, etc.), you must be strictly disciplined in order to get any work done. Although it may be tempting to take advantage of quiet daytimes to get personal things done (a haircut, grocery shopping, etc.), don't do anything you wouldn't do if you worked away from home. You must think of your time away from the office as time and money lost, otherwise you will be an errand runner, not a business person.

If you would like to discuss setting up a professional home-based business, contact the SCORE Association. The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Define Home Office Technology Needs Before You Buy

For years, one of the biggest obstacles to setting up a home-based business was the cost and availability of office equipment. Now, there is a wide range of affordable products designed specifically for home offices. And best of all, you don't have to wait in line to use them.

But before you go on a spending spree at the local electronics supply store, ask yourself a few questions about the kind of home office technology you need now, and in the future. Is the equipment essential for your business? Will you use it often enough to justify the cost? If the answers are "yes," shop around, compare product reviews, and seek guidance from experts and other users. And keep in mind that in order to be claimed as business expenses, this equipment must be used solely for your business.

Here are some guidelines for making decisions about home office technology tools:

Computers. While the rule of thumb—buy as much as you can afford—still applies, don't make your decision on price alone. In this era when features and capabilities change on a seemingly daily basis, even the "top of the line" computers may be inadequate for your needs in a matter of years. Consider the type of work you do, your communication and networking needs, and any peripherals (e.g., printers, scanners, Zip drives). Look for equipment that has sufficient processing speed and memory for your immediate and mid-range needs, and can serve as a foundation for future upgrades and add-ons. Another plus is the computer's adaptability for other uses when a system upgrade is necessary.

Laptops. These devices are handy for taking your "office" to client meetings, presentations, or even on vacation. Some may double as your "main" computer, but many laptops' screens, keyboards, and processing speeds are not always suitable or comfortable for extended use. Weight and ruggedness are also important. And be sure that your laptop's software is compatible with your home system.

Faxes. Although we're well on the way to becoming a paperless society, you'll still need to exchange documents via fax. A variety of compact, affordable fax machines double as copiers and scanners. Many computers have built-in fax capabilities, but be careful about tying too much of your home office to one system. What could be worse than to have your computer "crash" while receiving an important, time-sensitive fax!

Telephone. A cordless phone is particularly handy for the home office; it enables you stay on the line with your clients while you retrieve files, or check on orders. The new 900 MHz models provide excellent coverage, and can be used next to your computer without interference. An answering machine and/or voice mail is also a must for catching calls while you're away. Your message should be brief, cheerful, and professional. And sign up for call waiting and call forwarding if your telephone company offers these services; nobody likes to hear a busy signal or an endless series of rings.

If cost is a concern, or you don't expect to require certain types of equipment for a while, explore alternatives. It may be possible to efficiently share certain pieces of office technology with other home office entrepreneurs. Many apartment/condominium complexes and planned communities are incorporating business centers into their public facilities; others allow occasional use of their office faxes and copiers for little or no charge.

The best source of information about home office technology is your local chapter of the Service Corps of Retired Executives (SCORE). There, you can get help with assessing your equipment needs, comparing products, and even identifying ways to fund your home office—all for no charge.

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Home-Based Business

Ask SCORE

574 Words

Time Is Money For Home-Based Business Owners

Ah, the joys of running a home-based business. Every day can be “casual day,” and you don’t have to battle traffic to get to work. You also have the flexibility to act on midnight brainstorms, and leisurely run errands when the roads and stores are less crowded.

But while running a business from your home has personal and practical advantages, your schedule may require as much structuring as in your commuting days. Without good time management, you risk the “Domino Theory” of deadlines—by letting one business task “slide,” you soon find yourself under pressure to meet another and another until you are overwhelmed. Even if you do your best work under pressure, you’ll soon find yourself facing the same stresses you hoped to escape by becoming self-employed in the first place. What’s worse, you no longer have the luxury of going home to get away from it all.

With good planning and good habits, you can make time work for you. For example:

Prepare a weekly to-do list. Toward the end of each week, think about what assignments and deadlines require attention within the next five to seven days. This helps you set priorities, and allot appropriate amounts of time for short and long-term projects. If something comes up—say, a new client wants a meeting or you need to have a vehicle serviced—you’re able to work these activities into your schedule.

Log daily activities. From the time you begin work each day, write down everything that happens: the work you do, incoming and outgoing phone calls, interruptions, and breaks. You’ll soon see a pattern of efficient and inefficient activities, your most productive periods, and other trends. With this information, you can adjust your work schedule to maximize productivity, and identify regular interruptions that can be minimized or eliminated.

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Analyze your customers’ schedules. “Normal” business hours are still the rule for the majority of the working world. Some of your clients may also be in other

time zones, requiring you to be available at otherwise unusual hours. And remember that there are no such things as lunch hours or comp time when a client calls.

Set aside time for administrative activities. These steps will also reveal periods when business is light (e.g., early morning). These are good times to check e-mail, take care of routine tasks, and plan upcoming work schedules. If you don't have a separate phone line for your computer, you'll be less likely to miss business calls, and you'll get more done because cyberspace traffic is generally low. Also consider setting aside a time each day or week for marketing as long as those hours conform to your customers' schedules.

Before you schedule your first meetings as a home-based entrepreneur, make an appointment with your local chapter of the Service Corps of Retired Executives (SCORE). SCORE's experienced counselors are ready to help you tackle every challenge of starting and running a new business.

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Professionalism In Your Home Office

You are considering hiring an accountant that works from home. You call several times and get a busy signal or no answer. When you finally reach the accountant, you ask to be faxed a proposal but this accountant doesn't own a fax machine or have email. Would you hire this person? Professionalism will make or break your home business. At home you must accommodate for the resources that are at the fingertips of your competitors in a corporate office. Here is some advice on achieving professionalism in the home.

- 1) **Get Connected.** The positive impact a personal computer will have on your business will more than pay for itself. A computer will not only help you to generate and store documents, but it is an invaluable communication tool. Email is a quick and easy way to communicate, allowing you to send entire documents at the touch of a key. The Internet is also the quickest source of information about anything you need to know- information about your industry, your competitors, business resources, etc.
- 2) **Open the lines of communication.** Have three separate phone lines—home, office and fax—and install voice mail. Clients should never experience the frustration of getting a busy signal when trying to reach you or send a fax. If you receive another call while speaking on the business line, the caller will get voice mail so that they may leave a message.
- 3) **Create a “real” office.** Set up your home office professionally. Make it quiet, comfortable and organized. Place what you use most, close to you. Use bright colors or dark colors, face away from the window or toward the window—whatever will help you to concentrate.
- 4) **Send it in style.** Design your company's letterhead on the computer and use it for all business correspondence. Use a P.O. Box instead of a home street address.

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- 5) **Stay “with it.”** Keep on top of all the latest trends in your business. Join your trade association and subscribe to all the magazines that cover your industry

(they are tax deductible). These resources offer advice and information as well as discounts on business expenses.

6) It's all who you know. Don't become isolated in your home business. One of the benefits to working in a corporation is the team work and supportive structure. But you can achieve that on your own by making an extra effort to meet people that can provide business support. By joining a trade association, you will acquire new ideas, advice and contacts.

7) Self control. Once you are on your own, it is easy to fall into a disadvantageous work pattern. Whether you are a procrastinator or a workaholic, working from your home takes a lot of discipline. First, separate work time from home time (even though it all takes place in the home). Set the hours for your workday and try to stick to them. After hours, don't sneak into the office to get work done and during business hours don't sneak out to run errands. Think of time away from the office during the work day as money lost.

To learn more about achieving a professional home-based business, contact the SCORE Association. The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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SCORE
Ask SCORE

274 Words

Information is Power:

How to Leverage Business Advice To Its Best Advantage

Now, more than ever, information is power. Information about banking, finance, business planning and marketing is essential to the success of your business. You can access this information through SCORE (Service Corps of Retired Executives).

Many of our life decisions are based upon experience—we learn from our mistakes. By utilizing SCORE counseling, entrepreneurs can learn from the experiences of business owners and executives that came before them. To help small business owners succeed, SCORE counselors offer real world business management and ownership experience. There are 12,400 SCORE Volunteers throughout The United States that offer counseling, coaching and mentoring free of charge. Over a three-year period, SCORE counselors have assisted in the start-up of 103,000 businesses.

SCORE offers both one-on-one mentoring and group counseling. Mentoring can last several years and all counseling is strictly confidential. The group counseling format promotes counseling in a group session as well as workshop presentations. This venue allows aspiring entrepreneurs to exchange ideas, common problems and contacts. A SCORE counselor moderates these discussions.

To learn more about how SCORE can help your business succeed, contact the SCORE Association. The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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The Internet Is An Information Tool For Business

You are a busy entrepreneur or you're a busy aspiring entrepreneur. In either case, you want to gather information quickly, so you can move on to the business of planning your business success. Today, you don't have to necessarily go to the library or visit resource centers to gather information in person. You can log on to the Internet.

Before you spend a lot of time searching for business information, take a look at the list of small business Web sites described below. Begin by visiting general small business or business information areas to help you find what you need to know about business. You can also use a search engine to find the trade association that serves your industry. The resources listed below can be very helpful and are available 24 hours a day via the Internet.

- **Patent & Trademark**—Patents for inventions are vital to your business success. You should consider registering a company trademark to protect that mark for your company. To find out more visit the **U.S. Patent & Trademark Office** at <http://www.uspto.gov>. Easy-to-access information is available on a topic by topic basis. Forms can be downloaded directly from the site, if you have Adobe Acrobat software.
- **Wage Reporting**—If you are an employer, you are required to report employee wages and taxes to the **Social Security Administration**. For more information on accurate filing and year-end wage reporting, visit the Web site for the Social Security Administration at <http://www.ssa.gov>. Or call 1-800-772-1213 for a free copy of "The Employer's Guide," a pamphlet with information on timely and accurate W-2 Wage reports.
- **Tax Filing**—Both personal and corporate taxes are collected by the federal government. Be sure you are in compliance with tax law. Consult with your accountant as appropriate.

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For quick, easy access to **Tax Forms** and Information, visit the **Internal Revenue Service Web Site** at <http://www.irs.ustreas.gov>. Extensive

information and downloadable publications, tax forms and regulations are available.

- **Small Business Information**—The SBA provides publications, business tips, SBA-guaranteed loan information and abundant small business hotlinks on its Web site. Information about women’s business ownership, minority business ownership, the Service Corps of Retired Executives and other resources are described on the site. The site is divided into easy to use sections for starting your business, financing your business, and expanding your business. Visit this Web site at <http://www.sba.gov>.
- **Small Business Counseling**—The SCORE Association (Service Corps of Retired Executives) has a nationwide network of 12,400 volunteers in 389 chapters throughout the United States. These volunteers donate their time as business counselors. Visit the SCORE Web site at www.score.org. Small business counseling via email, tips, success stories, and hotlinks to local SCORE chapter Web pages are on this site.

Go online for information gathering as one tool in your plan for success. Also feel free to call upon a SCORE counselor for a one-to-one business advising session to help you focus on key business issues and streamline the amount of time and effort dedicated to research.

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###

Internet & Technology

Ask SCORE

681 Words

Why Every Business Needs A Web Site

Take advantage of a powerful sales and marketing tool, the Internet. Growing at 100% per year since 1988, the Internet is changing business globally-offering the small business owner a chance to compete with larger companies. Once mom and pop shops were credited with providing personal service. Then came the rise of mass merchandising and warehouse stores where customer service and a personal touch were almost unheard of. Today, the small business has the opportunity to jump ahead again, providing personalized service through the Internet. Here are a few reasons why a Web site can be a powerful tool for small businesses.

Save Money

Internet service, including email and Internet access, costs \$20/month or less. Electronic mail is an efficient way to communicate with all of your stakeholders: customers, suppliers, partners, etc. You will save a lot on your long distance phone service and mailings. Communicate anywhere in the world for free and “attach” entire documents with your communication.

Provide Customer Support

The Internet allows you to personalize your business and communicate with customers. On your site, you allow customers to easily contact you.

Stay Open 24 Hours A Day

You can be open for business 24 hours a day, 7 days a week and even get some sleep! People contact you or visit your Web site at their convenience.

Go Global

The Internet is used by millions worldwide. Many consumers of US products are abroad. In order to reach this diverse audience, you can translate your Web site into a number of different languages and offer a language option on your home page.

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What Do I Do First?

First, decide if you are going to develop your Web site on your own or higher a developer. You may search the Web for possible Web site developers. Then,

apply for a domain name. Have three names prepared in case the name you want is already taken. Take time to choose your Web address—it will become your identifier.

Gather the material you want to place on your Web site. Decide on the arrangement of the information and the look of the Web site. Bright and flashy or conservative? It is a good idea to browse the Web for the styles you like the best.

The purpose of your Web site is to present your business and the product or service that you are selling. Provide some useful information—give something to your audience and then gently lead your audience to what you are selling.

Design an easy-to-use Web site. If it is too confusing, the visitor will leave. Users will not wait long for your home page to load. Keep your message clear and direct. A visitor should immediately be presented with a description of your site, its purpose and its content. Keep the material on your site fresh. Update frequently so visitors will have a reason to return.

Once you have developed a great Web site, your next mission is to get traffic to your site. Get listed with all the major search engines. Many services such as 1 Step (<http://www.1step.com>) or Network Solutions at (netsol.com) do all the work to ensure that your Web site will appear on all of the major search engines. Use traditional and Internet based press releases to spread the word about your new Web site.

Form strategic mutual partnerships. You can promote a company's site on your site if they promote yours. A lot of Web traffic comes from other site referrals. For more information about developing your company's Web site, contact the SCORE Association (Service Corps of Retired Executives).

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Creating your Company's Web Site

The Internet is a powerful marketing tool that every small or home business should consider. Here's why:

- **To facilitate communications.** Getting an Internet account costs about \$20/month or less. With email you can communicate with customers, suppliers and partners anywhere in the world. You can attach documents as well. All of this without long distance charges.
- **To be available 24 hours a day.** Your customers can contact you any time of day, from any time zone through email. With a Web site, potential customers may browse your site at their convenience to learn about your company and the products and services it offers.
- **To reach global clientele.** The Internet is used by millions worldwide. This is your opportunity to reach potential customers throughout the world without opening shop overseas. Your Web site can be translated into several languages and offer the visitor their choice of language.

If you think that getting online would benefit your business, follow these steps to get started:

- Decide if you want to hire a Web developer or create your own site. If you want to hire someone, search the Web for possible candidates. If you want to do it yourself, there are many helpful books available about Web publishing.
- Apply for a domain name. There are several good services that will register you and put you on the right search engines. Try Network Solutions at (www.netsol.com).
- Organize and outline all the information that you want on your Web site
- Choose a look for your site. Visit other sites to get ideas but remember, your site is a marketing tool. Use your brand identity—don't stray from the look your customers are familiar with.
- Provide a service as well as a presentation about your company and its product. Give your customer some helpful tips or advice and gently steer them toward buying your product.

(More)

- Make it easy to use. Simplicity is key. If a visitor gets lost on your site, they will leave.
- Market it. Make sure you are registered on the major search engines so that your Web site will appear in a search. Send out traditional and electronic press releases to inform the public about your site. Develop mutual link partnerships. Refer visitors to a Web site that is also linking to you. Update your content constantly. You want your visitors to visit more than once, so give them a reason to come back.

To learn more about developing a Web site for your company, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

###

Internet & Technology

Ask SCORE

638 Words

E-Business: Small Businesses Become Virtual Giants On The Internet

Small businesses on the Internet are creeping up behind large multi-national corporations and giving them quite a scare. On the Internet a small business like Amazon.com can compete with, and even surpass, large multi-nationals like Barnes and Nobles. According to Booz, Allen & Hamilton, there are 20 million shoppers on the Internet. In the last nine months, this number grew by 367%! With Internet traffic doubling every 10 days, it is expected that there will be 130 million consumers on line by year 2000. Sales on the Internet are expected to reach \$300 Billion by 2002. But can all businesses profit on line? The best selling products on line appeal to the technology savvy or to a wide geographic audience. These are computer-related items, specialty items difficult to locate elsewhere or items that can be purchased less expensively over the Internet.

E-Business Lowers Business Costs

A global business on the Internet does not require bricks and mortar or a staff around the world, just a Web Site and perhaps one central warehouse. An e-commerce (electronic commerce) Web site cost about \$600 a month. Generally, the cost of the site is about 8% of that businesses' revenues. Because business transactions are primarily handled electronically, there is no need for a sales staff and personnel. The virtual storefront also eliminates thefts, damage, or breakage of the inventory.

E-Businesses Are Accessible Anywhere, Anytime

The audience on the Internet is global. Consumers all over the world are shopping on line. A Web site can be multi-lingual, allowing visitors to choose their language upon entering a site. When it is 3:00 am here, a customer in Sweden, where it is 10:00 am, can make a purchase. A business on-line is open seven days a week, 24 hours a day. Customers can shop at their convenience. The cash register is open all day and night, even while the business owner is sleeping.

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E-Business Strengthens Customer Service

A Web site allows a business to address its customers on a personal level. The computer can recognize and greet repeat shoppers. For example, when Mr. Smith, a frequent buyer of books on the Civil War, logs onto “booksale.com” a message could read, “ Welcome back Mr.Smith! Check out our new book on The Civil War.” The business owner can also follow up with Mr. Smith by sending him a catalogue of Civil War books. The computer can track customer’s buying trends so the business owner can market accordingly.

E-business Develops Customer Loyalty

How often do you learn all about a business upon entering a store? How often do you walk away with a free sample? A Web site allows businesses the opportunity to give customers information about their company while offering something of value. For example, a company selling cooking utensils could offer the visitor recipes, a software company could provide interesting articles about the industry, a music store could offer sound bites of new music. By reading about the history and background of a company, the customer feels they have chatted with the owner. Personalizing a company creates customer loyalty. A Web site is soft sell. It gives the business an opportunity to market itself while gently leading the audience to purchase its products.

To Learn More

To learn more about developing an e-business, contact the SCORE Association. The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Human Resources

Ask SCORE

603 Words

Develop A Succession Plan For Business Leadership

The loss of a business owner through death, retirement or disability is a major blow to a small business under any circumstances. If there is not a small business succession plan in place, particularly in a family business the death can be devastating to the company and the heirs to the estate. Estate taxes alone can deplete crucial cash from the business. Voting control may be scattered among heirs and conflicts in points of view can impede the company's operation and growth. Without a plan, there may not be anyone available who is readily able to take on the responsibilities of running the company. In a successful company, the result of hard work and financial investment can be damaged or destroyed by the lack of a succession plan.

Although a succession plan, may be an uncomfortable topic, it is a serious business issue that must be discussed and planned. Whether the transition is unexpected or planned, such as the owner's retirement—there is trauma to the business. Your goal as the business owner is to plan ahead, so any business disruption is minimized and the equity you hold in the business is preserved for you and your heirs.

Evaluate your current employees' potential to assume additional responsibility, particularly as senior leaders of the company. Consider, employees, relatives or associates, who would be willing and able to take over the business. If you can successfully identify a chief executive officer and chief operating officer, you are well on your way to planning for the future. Often in a family-owned business, a family member will be appointed chief executive of the company. If that individual's strength will not be in daily operations, hire a chief operating officer as the decision-maker who manages business operations. Carefully spell out the range of authority and responsibility for both positions.

Early selection provides time to train upcoming leaders, as you approach retirement. Your plan should consider the possibility of an untimely demise as well. If no one is available for your key leadership roles, you must decide whether to have the business liquidated, sold to outsiders, continued by executors or trustees or inherited by your heirs.

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These are decisions you should make for the business. Three crucial elements in a succession plan are as follows:

- A will covering disposition of the business.
- A buy-sell agreement to outline the disposal or continuation of the business.
- Funding arrangements, such as life insurance, to carry out detail of management success.

Because of the complex tax and legal aspects of transferring ownership of a business, you should seek professional, legal and financial advice when putting the plan together. You have a responsibility to yourself and your heirs, to ensure that the financial gains from your hard work are distributed, as you designate. Tax planning and inheritance planning are important aspects for consideration as an entrepreneur. Seek out professional advice and establish the legal documents that will govern the disposition of your estate.

If you would like to discuss leadership succession, succession planning or buy-sell agreements, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Human Resources

Ask SCORE

691 Words

Staff Selection Is Critical To Success

A business is only as good as the people who manage it. You and your employees are the source of customer satisfaction. Products and services are the wares you distribute. And, customer service throughout the organization is the culture that contributes to both employee and customer morale. As an employer, you want to hire and retain the employees most qualified for the positions within your company.

Important policy standards should be in place before you begin hiring employees. Develop a personnel policy and manual. This can be a brief document of only a few pages for a business with few employees. The manual should include your policy for hours, overtime, fringe benefits, sick leave, annual leave, training, dress code, personnel reviews, grievances, termination and retirement. This manual provides an overview of the work environment from expected work times to time off and employee reviews. This manual covers operating policies and general benefits. A job applicant should be given a copy before a final offer of employment is granted. In addition, each company employee should have his or her own copy of the manual, which serves as a guide for his or her conduct and benefits.

Before you advertise a job with your local newspaper or with a personnel recruitment firm, prepare a job description. Each position within the company, including your own, should have a job description that outlines responsibilities and duties. Each description should include reporting relationships, which describe who the employee's supervisor will be. Add to each job description a list of the position's objectives with specific and measurable goals. The job description provides you and the employee a clear road map for the expectations of the position from both the standpoint of workload and expertise required to accomplish the job.

Develop an application form. You can buy standard forms or computer software for employment applications or create your own. Ideally, the form will be simple and should focus on relevant employment history including names of supervisors and references you can contact.

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This application should allow some space for the applicant to add a narrative summary of his or her career accomplishments. This section gives you a chance to see what the applicant viewed as important successes and milestones in his or her career. Interview qualified candidates. During the interview, you want to learn as much as possible about the person's job skills, work ethic and personality. Ask specific questions that require more than a "yes" or "no" answer. The more dialogue, the more you learn about the applicant. More information will help you make an informed decision.

Check references. This can not be stressed enough. Your business is important to you and the right employees make a positive statement about your business to customers. An applicant who interviews well and has a sterling resume, may be the ideal fit for the job. Call references to confirm your belief and to ascertain if previous employers' accounts of the person's job responsibilities and performance match what you heard in the interview. Also gather opinions about personality, work style and strengths from references. Both what references say and leave unsaid can give you clues to the character and skill of potential employees. A good question to ask a previous employer is whether or not they would re-hire the applicant. Take this information and form your final opinions.

Hiring the right people for the right positions can mean the difference between top performance and profitability and weak performance and operating difficulties. Choose wisely. If you would like assistance in developing an employee manual, job descriptions or interview questions, contact the SCORE Association (Service Corps of Retired Executives.)

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Human Resources

Ask SCORE

Review Effort And Reward Performance

549 words

Performance reviews and merit raises are a part of your role as employer. Once you hire employees, it is your responsibility to train and motivate them. In addition, you should routinely review performance and offer merit increases as appropriate. As an entrepreneur, the business is your livelihood, as employees, your staff consider their jobs their livelihood. Reward excellent performance, so you can retain trained and qualified employees. It is generally less costly to keep a good employee, than to regularly hire, train and hire again if good employees leave because of low compensation.

Often a personal regard and camaraderie develops between the small business owner and his or her employees. Such personal contexts can result in subjective decisions, when it comes to promotions and pay raises. To safeguard your decisions as relevant to work performance, maintain clear guidelines for employee performance. Measure employees against standards that have been set and are communicated from employer to employee. Such standards place job evaluations and merit increases on firm footing in terms of clear expectations for work to be performed and performance results. A performance review provides a forum for you to review an employee's performance and share your observations with the employee. The employee should be able to share his or her perspective and feedback as well.

Be sure that you have clear job descriptions in place. More often than not performance problems can be traced back to unclear expectations or expectations that were not understood by the employee. A written job description provides a clear description of the skills and abilities required to effectively complete the job you need done at your company. The description should be written for the position and work to be performed, not to accommodate someone who may currently be filling the position. The more objective the standards, the more effective you can be in matching performance and skill to the job, rather than focusing on personality and people you may like to a greater or lesser degree.

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A merit rating system, with grades or levels for positions within the company, can help you establish a reasonable pay scale for each job. Merit ratings determine

what salary within a salary range an employee should be paid. Your industry's trade association will often have a listing of average and median salaries for positions within your industry. The advantage of ranges and average salary information is that you can avoid setting salary ranges too high or too low for a given position. A part of your merit system, may be specific percentage raises for specific performance levels. An employee who performs his or her duties at the level of "excellent" would receive a larger increase than someone who performs "good" or "average." Factors beyond fulfillment of job duties are often considered as part of merit and performance reviews. Dependability, initiative and teamwork are common areas for employee evaluation.

If you would like to discuss employee reviews and merit pay, contact the SCORE Association (Service Corps of Retired Executives.) The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

###

Human Resources

Ask SCORE

605 Words

How To Find Promising Job Applicants

Deciding what kind of skills are needed to perform each job in your company is the key to locating promising job applicants. Only after you have defined what is important to a particular job, can you begin the hiring process. The candidates you draw for interviews will depend upon the description of the job and skills required for the job. Everything centers on how you describe the job to potential applicants.

Here are some steps to follow in finding promising job applicants.

Describe the job. Suppose you, as the busy business owner, decide to hire someone to relieve you of some of your duties. Start by looking at the many functions you perform and decide where your own attention is crucial and what tasks you can delegate. Know what your strengths and weaknesses are and try to hire someone who can provide a balance to your skills. Prepare a written job description, so you can refer to it frequently.

Decide what skills are necessary to accomplish the job. What is the lowest level of skill you can accept? In this case, let's assume you've decided to hire a secretary, but you quickly learn that skilled secretaries are both scarce and expensive. Perhaps you really need only someone to do some typing. Hiring a typist may be both easier and cheaper than hiring a secretary. Many high school students are qualified typists, and many seek part-time work.

When you publicize your job opening, spell out exactly what you want. Suppose you're looking for a sales clerk. What should the applicant be able to do? Tally sales receipts accurately? Keep a customer list? Promote products to your customers? The job of sales clerk means different things to different people, and unless you spell out what you expect the employee to do, you're going to be receiving applications from people who are both over- and under-qualified.

Locate promising applicants. There are many sources of promising applicants. Your state has an employment service; find out where it is and use it. Private employment agencies can be helpful; however, they will charge either the

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employer or the employee a fee for its services. If your business has a display window, you may want to place a “help wanted” sign there. Of course there’s a disadvantage to that method; your sign will draw a lot of non-qualified applicants with whom you’ll have to spend time you can afford.

Advertise for job applicants. Newspaper advertising is another common method. This draws a large number of written applicants that you can screen on your own schedule, and select only the more promising applicants for interviews. Local schools should not be overlooked. Your high school may offer courses in business subjects and have students who either want to work part-time during the school year or full-time after graduation. If you have a nearby community college, this is another good source of applicants. Finally, there are personal sources: friends, neighbors, suppliers, customers and present employees.

If you would like to discuss preparing job descriptions, interviewing job applicants or hiring new employees, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Human Resources

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420 Words

Good Employee Attitudes Help You Make Money

Psychologists have long known that employees with good attitudes toward their employers produce better at work. Job performance is affected by how employees feel about themselves, their employers, their fellow workers and their customers. Your business success depends largely on the attitude of your employees. Employees with poor attitudes affect customers negatively, discourage other workers from doing their best and do not perform to their own level of capability.

When examining employee attitudes, start with yourself. Be genuinely interested in the other people you work with—not only employees, but also customers and suppliers. Respect your employees' dignity. Be patient, understanding and helpful. Let employees know that they are important to your and your business. Let them know that performance will be rewarded. Help employees identify what will make them feel fulfilled and happy within the job. While you want to be sensitive to the emotions of employees that doesn't mean you should ignore poor performance. When an employee does not perform up to standards or if he or she has made a mistake, meet with the employee in private to discuss the issue.

Include your employees as team members. Ask for their suggestions and respect their ideas, even if you do not always agree with them. When you use an employee's idea, remember to give the employee credit. Rewarding performance encourages other employees to speak up with their ideas.

Listen to your employees. For example, if your small business decided to conduct an employee survey, would you be willing to respond by making changes in the business? What if the survey revealed that all the executives' offices were air-conditioned and the workspaces for office workers were not air-conditioned, would you add air conditioning for office workers? It may seem like a small issue, but these are the kinds of topics that arise within companies and can bring about employee dissent.

If you would like to discuss employee surveys, team building or consensus building, contact the SCORE Association (Service Corps of Retired Executives).

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Ask SCORE

Hold Employee Meetings To Promote Communication

466 Words

Good communication between management and employees is the hallmark of a well-run company. Poor communication between management and employees can be a source of concern and lost productivity. You may see each of your employees daily, but if you don't have regular, ongoing communication with employees as a group, those relationships will not live up to their potential. You want to make all employees feel that they have something important to offer the business. The feeling of team participation can be increased through employee meetings.

At employee meetings, you provide the big picture. Employees may deal with you daily regarding specific tasks. However, they may not be exposed to the larger goals for the company and progress toward those goals. An employee meeting provides a forum for sharing this information. Give employees an opportunity to ask questions or make suggestions. Gain employee buy-in by including employees as participants, not just as an employee meeting audience.

Encourage your employees to come up with new ways to operate or to improve current systems. Recognize and reward success publicly. Recognition in front of fellow employees at an all-employee meeting has value. Never underestimate the value of praise, thanks and public recognition. Even though employees do get paid for their labor, it's up to you to make sure they feel that their efforts are meaningful and appreciated. Take time to say thank you.

Upon occasion, you may wish to discuss or share news about challenges within the business. This open, honest discussion can help mobilize employees to take action. Be careful not to criticize anyone directly. You always want to end an employee meeting on a positive note, even if serious business issues were discussed during the meeting. You set the tone and course of the meeting from start to finish.

As the business owner, you should have definite policies about meetings. Meetings should always be on company time and an employee who comes in especially for an employee meeting should be paid for that time. A firm schedule should be established for employee meetings.

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Decide how often you want to conduct companywide meetings and prepare an advance schedule and agenda for those meetings.

If you would like to discuss employee meetings, employee communication or motivation, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Human Resources

Ask SCORE

408 Words

Set Goals For Key Employees

How do you know whether your key employees are really producing? In many small businesses, the owner makes subjective decisions about performance or judges employees only by how well they perform the duties included in their job descriptions. A better way to judge performance is to measure how well employees are meeting objectives that are helping to further the company.

Traditionally people have worked according to job descriptions that list the job activities performed. Consider this example. Your job description for a credit manager may simply say “supervises credit operations for the company.” You might get better results from that employee if you set five or six goals for that person. One goal may be to increase credit sales sufficiently to support a 15 percent increase in overall sales within the next 12 months.

Your employees’ objectives should be written down for use as a continuing reference document. Goals should be related to each other and supporting objectives should be noted. For instance, the goals might cover problem solving, innovation and development. The goals must be time oriented, with specific dates when projects are to be completed and goals to be met. The goals must be measurable. The method for measuring those goals must be clear both for the owners and employees. You want to set your employees up to succeed. Goals should be reasonable and achievable. Nothing discourages employees more than not being able to perform well in their jobs.

Employees should contribute input to the statement of their goals. If they have a role in establishing their own long-range objectives, they have more commitment to achieving those goals. Be sure that such a program of goals and objectives also includes rewards. Employees should be able to see how the company and the employee both benefit from the achievement of goals.

If you would like to discuss goal setting, business planning or employee motivation, contact the SCORE Association (Service Corps of Retired Executives.)

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Human Resources

Ask SCORE

534 Words

How To Avoid Trouble When Managing A Family-Owned Business

There are many benefits to running a family business. You and your family derive pride, fellowship, loyalty, continuity and shared success through the business. It also means everyone's financial stability and success rest with this primary source of income. Because of the shared financial risk, managing a family-owned business presents unique challenges. When close relatives work together, emotions can often cloud business decisions. Whatever the purpose of the business, the special relationship between members of a family can get in the way of effective business decisions upon occasion. To help manage the business, prepare a written plan. A plan can guide operations and create an objective standard for everyone to measure performance and results.

When you invest your own money and operate your own business, you have accepted the independence that comes with being your own boss. And as the manager, you are rightly concerned with the economic realities of running a business. However, if other family members have also invested in the business, they may rightly feel that they should have a strong say in the business' operations. Family considerations and disagreements can get in the way of what should be purely fact-based decisions. In the real world, emotions come into play. Plan for professional procedures to help navigate disputes, so the business can operate effectively.

Problems associated with managing a family-owned business usually result from the dual relationship between members of the firm. For example, when the current general manager steps down, choosing among many qualified members of the family who want the job, may be more difficult than choosing a pool of unrelated candidates. Another problem arises when there is pressure to hire an unqualified member of the family. It is easier to turn down a colleague, than it is someone who will be sitting across from you at dinner.

One solution may be to hire a general manager or chief operating officer, who is not a member of the family. This works only if all members of the family agree and discipline themselves to abide by the decisions and recommendations made by this executive.

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When decisions are in favor of or in opposition to positions held by various family members, there must be a clear method to allow this person decision making power. You decide how much latitude your executive has and clarify when you want the final review in a decision. Give authority with the responsibility.

Consider outside advice in developing a management plan to bridge family differences. A volunteer business counselor can offer insights, procedures and assistance in preparing a conflict resolution plan or a succession plan to bring an outside executive to the table as a manager and facilitator.

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Human Resources

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435 Words

Small Business Owners Should Focus On Training

Successful entrepreneurs dedicate time and resources to training. The business world is changing all the time. Since the advent of the personal computer in the early '80s, business has changed dramatically. The only way to keep up is to try new things. And, a wise business owner realizes that you don't want to try and fail. Instead, help yourself by helping your employees learn new skills, improve existing skills and find better ways to get the work done, based on life long learning.

Whether your workforce is comprised of high school graduates or college graduates, all employees need to learn and grow. If you value long term employees, you will invest in training that keeps them growing within their jobs and helping you grow the business.

In medium and large firms, employee training is usually handled internally. Entry-level employees are provided with an orientation and receive specific on-the-job-training for specific job duties. Ongoing employee education is necessary at all levels. In the small firm, the training function is often neglected, because it adds to overhead expenses. It's a cost some find difficult to justify, so the owner becomes the trainer. On some topics, the owner is the best person to relay valuable information. In other cases, the owner should consider providing funds to send employees to specific college classes, seminars or workshops, which provide specific information.

People are a key factor in joining the capital and physical resources of the company to produce profits. Well-trained and motivated employees can prove to be the difference between success and failure. And even though it's difficult for the owner to take time to plan for and conduct training; it is the owner's responsibility to ensure that the company's capabilities remain strong. Training helps the company maintain its readiness to respond to the marketplace. Trade associations can often help. Trade magazines, books, seminars and conferences all can provide an avenue for modestly priced and very focused training for industry members.

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If you would like to discuss employee orientations, in-house training or employee development programs, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Marketing & Public Relations

Ask SCORE

374 Words

Small Business Owners Need New Accounts

A business cannot survive and prosper without attracting new customers. Any business—no matter how well-run—loses customers every year. Not only must these customers be replaced, but if the firm is to grow, additional new customers are essential. Poor service, unsatisfactory merchandise, price and relocation are all reasons why customers no longer frequent your business. Some of these factors you can control and some you can't. It is always in the best interest of your business to continuously plan on how to attract new customers.

Plan to attract new business before you find that your sale numbers have dropped. Here are some steps to take to build your business:

Determine the demographics and buying patterns of customers. Determine the age, income level and tastes of retail customers. Discover business trends, buying patterns and public contracts among your commercial accounts.

Determine how many accounts you want to add in the upcoming quarter. Your starting point for customer additions is based upon the percent of customers you lose annually. After accounting for annual sales lost, add the percent of sales gain you hope to achieve in the year ahead. Budget your sales goals quarterly.

Identify prospects for the upcoming quarter. Methodically identify potential customers. Commercial customers can be easily identified by trade groups, through notices of public contracts and in local business journals that often list the top firms in a given industry. Retail customers are a bit more difficult to identify. However, you can access Census Bureau data on the Internet and select parameters for your city and state to narrow the customer focus for your market. Visit <http://www.census.gov>.

If you would like to discuss marketing, prospecting or customer retention, contact the SCORE Association (Service Corps of Retired Executives.) The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide.

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An Effective Owner Solves Problems

In today's world of euphemisms, we talk about challenges. In the real world, what you may sometimes find are problems. Problems that need to be solved. As an entrepreneur, you are chief problem solver. You have the vision, dedication and determination to make the business work. When there is an obstacle, you remove it. You see beyond the distractions, impediments and yes the problems—to move forward, you solve problems. Your solutions mean success and profits.

We all have to deal with challenges. Handle problems in a rational and logical way. Think your way out of the box. First try to anticipate problems before they occur. Develop a plan to handle a few critical issues that could be disruptive to the business. By mapping out a solution plan, you can quickly move from analyzing the problem that has occurred to solving that problem. Recognizing a business challenge early is the first step to removing a success roadblock. Many challenges can be faced before they grow into problems, which require attention in a crisis.

Identify new and existing problems. Gather information about potential issues. Determine elements of the problem—possible causes and effects. Evaluate the significance of the issue. Frame solutions to match the level and complexity of the problem. Develop a list of possible solutions. Make a list of possible solutions—both your own and those of employees or your trusted advisors. After you have the list of solutions, eliminate those that are not feasible and arrive at the most logical and effective solution for the situation.

Without a well thought out plan of action, your effort will be wasted. You don't have time for wasted effort. Be proactive and look for ways to prepare for the unexpected. You can't address every business contingency, but you can identify your top 10 concerns or business issues, which is where you focus your efforts.

A number of potential problems can be avoided simply by creating a written business plan. A business plan outlines your business and financial goals for the year and maps out how you plan to achieve those goals. The plan can contain an appendix for you and your management team.

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That appendix may focus on a few issues of concern and planned responses for what would otherwise be unexpected events.

If you would like to discuss problem solving, issue identification or business plan development, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Management
Ask SCORE

454 Words

Make Effective Decisions

Making decisions that affect your business is not an easy task. Business climates frequently change from one year to the next, even from season to season. You need to be able to predict with some certainty how a decision you make today will affect your business one two, or three years down the road. Good sources of information are the key to making good business decisions.

You must first determine the nature of the problem you are trying to solve. It may be a loss of sales, a drop in profits or an increase in the age of your accounts receivable. Look closely: what may seem to be the obvious problem may only be a symptom of the real problem. The actual problem may not be the age of your accounts receivable, but rather that you don't have enough time to adequately review your financial reports, so quick action can be taken before a cash crisis emerges. What are the causes of a problem? If sales are down, what are the reasons? Only by examining the root of the problem, can you start to figure out viable solutions.

What are some possible solutions to your problem? Write down your ideas for solutions and talk to others in your field about other possibilities. Maybe someone you know has overcome a similar problem. Good ideas, whether from brainstorming or other sources, should not be killed because you don't know if new ideas will succeed. If possible, test out some of your ideas on a small scale before deciding on the approach that will best resolve the problem. There is no magic cure to the myriad details and time constraints you face as an entrepreneur. However, you can take control of major issues and address the elements of your business that impact your immediate survival. Next, you can take the time to plan for a successful future.

In communities throughout America, entrepreneurs who once thought they had to go it alone obtained some expert advice. Would free and confidential business advice help you save time and improve your decision making process? If the answer is yes, consider the SCORE Association (Service Corps of Retired Executives) to be your personal business information, guidance and mentoring source.

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Manage Your Time Effectively

One of the major stress factors in owning a small business is that there simply isn't enough time to accomplish all that needs to be done to keep your business running smoothly. As an entrepreneur, you are constantly faced with choices about how to spend your time. Your time is a valuable commodity and you can only make it go so far. Keep in mind that it's not just how much time you have, but what you do with it that counts. Time management really means managing you and your job responsibilities effectively.

Small business owners typically get bogged down for two reasons: poor planning and poor communication. Unless you have a written business plan guiding your business, each decision requires too much time and you spend more time fixing past mistakes than planning for the future. Create a business plan to outline the fundamental goals and objectives of your business. With a plan in place, you can concentrate on implementation rather than rethinking each decision one decision at a time.

Regarding communication, maintain an open-door policy for employees. Create an atmosphere that encourages employees to keep you informed about what is going on in your business. Employees are on the front lines and know your business almost as well as you do. They may know your customers better than you do. Keep the lines of communication open, so you can benefit from the knowledge and insights of employees.

To make better use of your time, log appointments and major deadlines in a monthly calendar. Write down what must be done and the due dates for projects at key progress intervals. There are many time management systems available. Everything from pocket calendars to various types of day timers to electronic schedulers can help you control your time commitments and project obligations.

Start each day with a planned schedule. Try to arrive at your office 15 minutes early. You create an expectation that you have 15 extra minutes each day simply to organize before you begin addressing the business of the day. Make a checklist of priority items and the amount of time you can dedicate to each.

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Integrate your daily appointments into this checklist. If you find that you are most productive in the morning, perhaps you want to work at your desk until noon and save sales calls for the afternoon. Adjust your calendar to your own personal style for maximum effectiveness.

Make it your common practice to establish firm deadlines and meet them. You also set deadlines for employees. They will look to you as an example of how things are accomplished within the business. If you routinely meet deadlines, employees will be more likely to meet their deadlines as well.

If you would like to discuss business planning, time management or delegation, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Sales Growth Helps You Grow The Business

You need new customers, repeat customers and more sales in order for your business to grow and profit. In most companies, even a five percent sales improvement will have a positive effect on the bottom line. If a business doesn't grow its sales volume, it will become stagnant. Rarely does a company that maintains the same sales volume year after year thrive. Some such companies go out of business because market share is captured by competitors.

Planning for sales growth should be an ongoing activity. Progress to reach sales goals should be measured monthly. A one-month drop in sales can be corrected; a three-month downturn is much more difficult to remedy before year-end. Examine your sales records to identify sales trends. Do certain products and services sell particularly well? Are there other products or services that don't move at all. Do you see seasonal variations in sales? Your sales goals should be set based upon indicators of past performance. Do you get most of your sales at the beginning or end of the month? How does weather affect your customer traffic? Is your sales force pulling in sufficient sales to justify its cost? These considerations figure in to what your goals are and how you time the deadlines for achieving sales goals.

Study your customers. Identify the age, income level, education level and possible buying triggers of your clients. When you can clearly define your customer audience, you can develop marketing approaches that will be better able to reach those audiences. Can you increase market penetration among these customers? Are there other untapped demographics you can identify to build an additional customer base? Talk to your suppliers. They are involved in the industry and are often an excellent source of information and ideas. Also talk directly with your customers. Maintain a close enough relationship to day-to-day operations that you can interact with and ascertain what your customers value, because they tell you personally.

If you've done all your homework, then experience, judgment and imagination will help you focus on retaining existing customers; increasing the per customer sale; gaining new customers who add to your sales volume; and by identifying and gathering new customers that can help bridge gaps created by customer defections.

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Some customers are one-time buyers. Be prepared to constantly seek out new business that can help increase overall sales volume.

If you would like advice on sales trend evaluation, informal customer research, sales goal setting or sale force motivation, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Marketing & Public Relations

Ask SCORE

544 Words

Image Is (Almost) Everything

You may not always be able to judge a book by its cover, but identity materials can speak volumes about a business, and about you. Business cards, brochures, stationery, and other printed pieces can be permanent reminders that you're a qualified, dependable professional who can do the job for your customers.

Selecting and developing identity materials depends on the type of business and its target market. You'll need to do some research about your customers, where and how they get their information about comparable services, and tactics used by similar businesses. Then, decide how much you can afford. While you shouldn't scrimp on identity materials, spending extra money for elaborate pieces doesn't always guarantee results. Many commercial printers and copy centers offer designs that are both economical and effective. You may also be able to create some identity materials yourself using desktop publishing software, preprinted paper products, and high-quality home printers.

Here are some considerations for the most common types of identity materials:

Business cards. The most versatile tool in an entrepreneur's marketing arsenal, business cards may be handed to prospective clients, attached to mailings, posted on community bulletin boards, and converted into print advertisements. While creative designs and paper will help your cards stand out, restrict the content to the essentials: your name and title, your company name and logo (if any), address, phone numbers, e-mail, and Web site (if applicable). A brief, professional slogan or a few words describing your services may also be helpful.

Brochures. A simple, well-designed brochure is a convenient way to tell customers about what you do, your qualifications and resources, and—if appropriate—a price and delivery schedule. Keep the information brief and to the point. Brochures are intended to pique the customer's interest, not tell the whole story.

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Stationery/Envelopes. This is an often-overlooked element of an entrepreneur's identity materials. Nearly every type of business needs stationery to communicate with customers, employees, suppliers, consultants, colleagues, and everybody else. You'll also need some kind of letterhead for your invoices, financial statements, and other administrative filings. As with business cards, your stationery should include the essential information about your company.

Web pages. If you plan to market your services on the Internet, lay out your electronic pages in much the same way as your printed materials. Organizing material in 8 1/2" x 11" format makes it easier for customers to download and print key data. And you'll be certain that your company's essential information appears on every page.

Want to know more about creating the right image for your small business? Contact your local chapter of the Service Corps of Retired Executives (SCORE). Their marketing and management experts will help you tailor a marketing plan that best serves your business and clientele—all for no charge.

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Marketing & Public Relations

Ask SCORE

515 Words

Improve Your Networking Know-How

The most effective form of advertising is also the oldest: word-of-mouth. Bright ads and slick brochures don't compare to an informed recommendation (or warning!) from someone trusted and respected by potential customers.

Word-of-mouth can be just as effective when the information comes directly from you. By networking with colleagues, allied businesses, and potential customers, people can learn more about who you are and what you do. Networking is also a great way to become more attuned to the issues that affect your customers—their needs, concerns, and preferences—giving you a better chance of being in that proverbial “right place” at the right time.

Networking is no different than attending a social gathering. In fact, it's better because you already have something in common with nearly everyone you meet. Of course, you should never adopt a “who are you and what can you do for me” attitude. Networking works best when there's no pressure to make a sale. Ask questions and always listen. First impressions are important, but they also can be enhanced or changed over time.

To begin building your business network, consider the following:

Professional societies. Nearly every type of business has a national association that represents their members' interests; most have local chapters with regular meetings and activities. Along with providing a great source of contacts, professional societies offer volunteer opportunities where you can demonstrate your initiative, cooperative spirit, and leadership qualities.

Customers' professional societies. If you really want to know what your customers are thinking, get involved in organizations that represent *their* interests. Do some research before you sign up, however. Some groups may have restrictions on membership, while others may have fees that exceed your expected returns. On the other hand, many groups may encourage businesses such as yours to advertise in their publications or participate in special programs.

(More)

Chambers of Commerce/Business Roundtables. These groups offer valuable exposure within a particular community or region. While other members may not be in your target market, they can provide valuable leads and referrals (there's that word-of-mouth advertising again!). Many also provide opportunities for small businesses to "show their stuff" via trade fairs, demonstrations, and media features.

Community service organizations. This is a great way to combine a personal interest with your business. Many groups may have a need for your type of service, giving the opportunity to do *pro bono* work in return for free visibility. What's more, your fellow volunteers may also be potential customers.

You can plug into a wealth of business know-how by contacting your local chapter of the Service Corps of Retired Executives (SCORE). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Marketing & Public Relations

Ask SCORE

550 Words

Make A Positive Impression with Presentations

A presentation can be an anxiety-ridden experience for a new entrepreneur, especially if you have little training or experience. When you're self-employed, however, you can't pass the spotlight to someone else. A presentation may be needed to win a new assignment, secure financing, brief clients on a project's status, or address a group of potential customers.

While the mere thought of public speaking may be enough to bring on a case of laryngitis, you have more control over the situation than you may realize. All it takes is research and preparation—the same steps needed for every other business decision.

Here are a few pointers on presentations:

Understand the ground rules. What is the purpose of your presentation? What kind of information does your audience want? Is the format a stand-up address or a conference table discussion? How much time will you have for the presentation and follow-up questions? By getting answers to these basic questions, you'll have a head start on organizing your thoughts.

Get to the point. The first 30 seconds usually determines whether you capture your listeners' attention. The remaining time can last an eternity for unorganized speakers, and pass in a wink of an eye for those trying to say too much. Begin and end with your strongest points. Never start off with an obscure joke or anecdote that has no relevance to your topic.

Avoid "overpreparing." A presentation that's too tightly scripted can be derailed in an instant by an unexpected question or distraction. Notes are fine, but a thorough understanding of your subject is better. You'll be better able to handle questions and keep your presentation on track.

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Practice makes perfect. Perform some "dry runs" with people who can provide honest and fair feedback, and understand your intended audience's perspective.

This will enable them to make a more informed evaluation and pose relevant questions.

Stay focused. Although you've rehearsed, you may still get the feeling that time is running out and quicken your pace. Or, you may want to ad-lib because you sense there's too much time remaining. Relax; if you're organized and provide good information, your listeners will be looking at you instead of their watches. An occasional built-in pause will also help you reset your pace, and add impact to what you just said.

If you don't know, say so. Never try to bluff your way through a difficult or unexpected question. Instead, admit that you don't have the information in hand, but offer to follow-up afterward. That's usually all it takes to get things back on track.

Need assistance with other business-related issues? The answers are as close as your local chapter of the Service Corps of Retired Executives (SCORE). SCORE's experienced volunteer counselors are ready to help you create your own small business success story.

The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Marketing & Public Relations

Ask SCORE

621 Words

Include Public Relations In Your Marketing Mix

Good public relations is essential for any small business. It's an inexpensive way for your business to get noticed, create an impression and be remembered by consumers. It's one of the best tools for making a positive impression and projecting your image. While large corporations may employ specialists in public relations to enhance their corporate image, small firms take a more do it yourself approach with a few basic guidelines.

Determine your desired image. Unless you know what impression you want to create with the public, you cannot design a good public relations program. Is there something unique about your business? Is your product line more complete than that of your competitors? Are your employees better trained or more customer service oriented? Have you been in business longer or had more experience than your competitors? Are you more dependable than they are? All these questions should be considered when defining your public image.

Define your public. Unless you know who your actual and potential customers are in terms of location demographics, and interests there's no way of planning an effective public relations program. You must know the right media to use and the proper appeals to make in order to convey your message.

Select your media. Local newspapers, for example, offer many more opportunities for exposure beyond paid advertisements. Newspapers often look for feature stories about small business, especially those offering a unique or unusual product or service. These articles can sometimes be devoted to a single firm, but more often they report on several businesses built around a common theme. Get to know the business editor or small business reporter who covers such stories in your community.

The business section of the newspaper also offers many opportunities for exposure. Report news of personnel changes, such as appointments and promotions. Announce office expansions or news of an additional location. Feel free to send news releases about professional or industry awards you or your firm may earn.

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Encourage media coverage of special events. Don't expect automatic media coverage of an event simply because you write or telephone a reporter. There must be a community, news or business element to the story that would give it a broad appeal to readers in the local community.

Work closely with your local Chamber of Commerce and any other relevant local business, trade or civic group. Members of these organizations may be your prime markets. A "how to" demonstration may be welcomed by one of these groups. If you have particular expertise in an area of business, you may be able to serve as a guest speaker on a business topic for a local professional group's meeting.

Participate in community events. A big part of public relations centers on interacting with the public. Be an active participant in your community. As time permits, make an effort to serve on local community boards. Part of being well respected centers around being someone who gives back to the local community. In the meantime, keep in mind that the bulk of your time should be dedicated to running a profitable business.

If you would like to discuss public relations, marketing or community relations, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Marketing & Public Relations

Ask SCORE

613 Words

Choosing A Location For Your Store

Your retail location can mean the life or death of your business. Many different factors need to be considered before you commit yourself to a location. If you are in a business-to-business market, mail order business or commercial operation—your location may not seek heavy foot traffic. However, if you are in a retail business, visibility, easy access and community presence are important. Consider the following questions as you ask yourself what do you need for a location that will bring more business to your doors?

- Define the type of retail business you want to operate. What sort of business do you want and what target market do you intend to appeal to? Unless you have these basic questions answered in your mind, you will not be able to make a solid decision about the appropriate location for generating revenue for the business.
- Obtain location demographics. You can visit your local library, chamber of commerce or city hall to gather information about the neighborhood demographics, such as population level, age and income. You can also obtain this type of information from the Census Bureau. Visit their Web site at <http://www.census.gov> or call the customer service line at (301) 457-4100 to order reports that interest you—you may be charged a fee for reports.
- Is your potential location and store compatible with other stores already in the area? Neighborhood business can help your store or hurt it. You've got to understand what types of businesses generally cluster together and which are incompatible. Auto dealers tend to cluster and generate traffic for one another. A good restaurant in a small shopping center may generate more visitors for other stores. However, an upscale boutique may not fare well next to a super store or discounter.

After you evaluate the above questions, you will move on to detail questions that help you move from selecting a desirable location and building to working out the details that make the decision a reasonable business arrangement.

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It is important that the building itself provides the conveniences you need including parking, lighting and delivery access. You want to have preliminary

meetings with the landlord, you may be dealing with a large leasing company or an owner-leasor. Find out how accessible the landlord or building manager will be for repairs, concerns and routine maintenance. Landlord and tenant responsibilities should be reflected in the lease.

Is the lease right for you? The lease should reflect the length of time you expect to be at a particular location and provide an escape clause, as well as a clause for continuing the lease. Cover all the bases before you put pen to paper and commit to a lease. Be sure that your attorney carefully reviews and comments on the lease agreement before you sign this legally binding document. The lease should spell out who pays for insurance, if you can sub-lease and any site improvements to be made before you move into the space.

There are many factors to be considered when choosing your store's location. To review your options and evaluate the aspects of your ideal business site vs. the real-world sites available, seek outside advice. The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Marketing & Public Relations

Ask SCORE

499 Words

Marketing Is An Important Element of Business Success

If you are in business, you want to stay in business and see your company grow. Marketing is an important effort in gaining prospect attention, building product or service demand and winning customers. Your marketing effort is the sum total of the sales, pricing, promotional and advertising efforts implemented to promote the flow of goods or services from your business to the consumer. Marketing includes having the right merchandise or service, selecting the right location, enacting effective sales programs and promoting your company and its wares to the buying public.

It's easy for the small business owner to find excuses for neglecting marketing. Most small businesses operate on a no-frills budget and many owners consider marketing as something they can't afford or a soft expense. Owners have said to me "I have to pay the bills. Marketing I can cut." True marketing is an expense that can be reduced or cut. The question that then arises is how, without marketing, do you propose to gain those much-needed customers that mean sales. It's cliché to say you have to spend money to make money, but it is absolutely true. If you do not effectively market your company, brand, image and products or services, you won't be in business for long.

Marketing is an investment in future sales. As an entrepreneur, you must always be looking into the future and to the next sale. Customers need to be aware of your company and what it offers. Marketing is the way in which you gain those customers. Keep in mind the four P's of marketing—product, promotion, price and place. These four elements need to work in tandem to generate the consumer interest and trigger the buying response in your audience.

Develop an annual marketing plan within your overall business plan. Figure out when you need to expend resources on a special price promotion, new product launch or advertising awareness campaign. Other aspects of your promotion may be in-store signage, outdoor signs, direct mail pieces, joint promotions or product brochures. Be prepared to define the tools that will be most helpful in bringing you business. Once defined, invest money in marketing as part of your monthly operating expenses.

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Don't spend needlessly, but don't try to undercut expenses in a way that directly affects your communication with potential, customers and those all-important repeat customers.

If you would like to discuss marketing planning or developing a marketing budget, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Marketing & Public Relations

Ask SCORE

553 Words

Know Your Market

Market research is a systematic and objective way of determining who your potential and actual customers are and collecting information to gain an understanding of their needs, desires and —most importantly— their behavior. Market research often helps define who wants to buy a product or service, who can afford to buy a product or service and who actually spends the money on a product or service.

You may find in a survey that nearly everyone may want a trip to Hawaii, for example. But, who can afford the trip? That question narrows the field considerably. Next, who actually spends money on such trips? Again, the field of potential buyers vs. real spenders is funneled down to a smaller pool of individuals. You need to know how large your potential pool of customers will be, their ability to pay for your product or service and the history of spending that indicates the likeliness that your product or service will sell in the marketplace.

Big corporations spend millions of dollars annually to study the marketplace. The small business has an edge. As a small business owner, you are closer to the customer. The small business is often able to detect buying patterns and customer desires (as indicated by special requests) more quickly and react almost immediately. Informal market research such as in-store observances or formal research via a survey or focus group can provide valuable information.

Market research gathers, focuses and organizes information about your market. It reduces your business risks by making your business more responsive to the market, so you can keep them coming back to your store. Market research can also help identify particular sales and profit opportunities, as well as indicating waning interest in a product line. You conduct some research by just doing business. For example, you use merchandise returns as a guide of products not to restock. You watch what your competition is doing. And, you gather trade information from your professional or trade association.

There is probably a great deal of published information available on your particular type of business.

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The Census Bureau has a wealth of employment, income and demographic data available. You can download pages of information from the Census Bureau's Web site at <http://www.census.gov>. You can also call the Census Bureau's customer service center at (301) 457-4100 to find out what publications and reports are available; the bureau may charge a fee for publications.

You can also conduct a focus group or survey yourself. If you have a slim marketing budget, this can provide some valuable information. For added confidence in research results, consider hiring an advertising agency or market research company to create, implement and report specific market research to you.

If you would like some free and confidential advice on market research, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Marketing & Public Relations

Ask SCORE

459 Words

Learn More About The Geography Of Your Customers

The more small business owners know about their customers, the more they can focus their marketing efforts on those customers and their needs. Business owners can conduct their own market research at minimal cost. Some of that research is just basic fact finding.

Some methods for identifying customers' locations appear below. Location is important. Customers may shop only within a 15 mile radius to their homes, maybe its a 5-mile radius. You need to know where your customers live and where they shop. You want to identify shopping patterns, buying patterns and similarities between your customers. The better your understanding of your customers the better able you will be to respond to their needs.

- **Internal records.** Sales slips, delivery orders and charge slips all offer a simple method of identifying where customers live. On the various forms you have on-hand the addresses and phone numbers of customers will appear. You can plot the location of customers on a map and determine where you have the highest density of customers.
- **Coded coupons.** Another internal source of market area information is the coded coupon. When customers redeem a coupon specially coded in a newspaper or via a direct mailing, you can determine which coupons are redeemed from what sources. In addition, you can determine who redeems coupons among your customer base. Coupons are easily tracked and can provide you with a reliable source of information about the location of customers.
- **Prize drawings.** If you host a drawing for a free item in your shop, customers must complete an entry form. This entry form gives you valuable information about foot traffic in your store. Try to get every shopper to register for the drawing, so you can get as much information as possible about as many people as possible. This identifies customers who are in the store and adds more information to your demographic base on customers.

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You want to focus on the customer and gather as much information about him or her as possible. The better you target your customer base, the better you will target your sales and marketing efforts. If you would like to discuss market research, merchandises or marketing, contact the SCORE Association (Service Corps of Retired Executives).

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Marketing & Public Relations

Ask SCORE

632 Words

Focus Group Research Provides Marketing Insight

Market research is about gathering information—reliable information. As an entrepreneur, you have gathered a great deal of information in order to establish a business. Market research is just one more way to gather information about the marketplace and consumers.

Most small business owners can easily define their market, based upon the target audience for their products or services. Basic characteristics such as gender, age, income, etc. define the demographics of your consumers. Since most small businesses are doing business within a defined geographic area, another avenue of information is available. The U.S. Census Bureau has a wealth of information about the number of households, family size, income and age of the local populous. Much of the information can be accessed directly from the bureau's Internet Web site at <http://www.census.gov>. Your local library is also a likely source of such data.

Keep tabs on consumer opinions. Find out what your current customers think about your goods and services. A focus group is a popular, relatively inexpensive and informal way to gather information about how your customers feel about your business and how deeply committed they are to your store or brands. In this scenario, you organize the questions you want to ask and bring together a group of 8-12 customers, which represent the demographic range of your consumer base.

Participants should be selected randomly within the demographic framework, so you don't tend to pick your most loyal customers. Normally, potential participants are invited to participate in the focus group and are offered an incentive for donating their time. The incentive might be a store discount coupon or a popular or limited edition item from the store. Once the date, time, place and participants are ready, bring the group together. Hire a moderator or invite in an industry colleague to conduct the focus group. Be sure to have a staff member attend the meeting to listen to the feedback and take notes. Don't attend the focus group yourself. As the owner, your presence may inhibit discussion.

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A report from the focus group should give you several important pieces of data such as: to what degree are clients satisfied with your products and services;

suggestions customers have made for products they would like to purchase; opinions about competitors and how you fare in comparison. Information that you receive directly from your own customers is valuable information. The only way you can improve and be a more competitive small business is by understanding your customers.

Focus group results can help you shape business decisions. Maybe all the participants felt more staff was needed to be available on the sales floor. Perhaps you learned that consumers liked a particular product line and would buy more items if you carried more products within that line. This kind of information can help you make more informed decisions as an entrepreneur. Now a word of caution, the information you just gathered is valuable, but since it is qualitative (not a numerical, statistically valid survey) you can not project the group's perceptions as representative of all your customers. You can evaluate the results and see how the feedback makes sense within your business.

If you would like to discuss demographics, market research or focus group research, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Marketing & Public Relations

Ask SCORE

357 Words

Public Relations Is Important For Entrepreneurs

Public relations means just what the name implies—the relationship between a business and the public. It is the means whereby you and your company are known and recognized. You want to create a reservoir of goodwill. Public relations is a way of defining your relationships with the public. Public relations reflects on the communication and interaction between your business and the public at large. You want your business to be noticed and remembered in a positive context.

A public relations effort must be ongoing, targeted and involve all media, from personal contacts to print and broadcast media. Your company image is the sum total of the interaction between your firm and all these points of contact. Public relations, unlike advertising, is not a paid medium; it is the way in which your company conveys its messages through its interaction with the public.

Participating in community events is often an excellent way to bring your business to the attention of the public. The Chamber of Commerce provides an excellent opportunity for meeting people and promoting your business. Special events and charitable involvement offer ways to interact with the public in a manner that benefits both the community and your own organization

Communication must be honest and in the public's best interest. Forward news releases describing your participation in special events. Keep reporters informed about your business's activities such as new store openings, awards, charitable contributions, special events, etc. Your public relations plan should be part of your business plan.

If you would like to discuss public relations, marketing or community relations, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you.

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Attitude And Adrenaline Impact Business Growth

Small business is about success. The success of the American dream. The success of the entrepreneur who believes he or she can make a new business idea a thriving reality. Sure, there is power in positive thinking. Don't discount it. Whether you are a solo entrepreneur or a small business owner with a staff of 50, your attitude toward business will affect the success of your business. The moment you become a business owner, you represent yourself, the business and expectations for success. Your attitude and manner convey your confidence and commitment to small business. Be sure both embody a "can-do" outlook.

So many entrepreneurs have told me they get a charge from the challenge. They have that adrenaline rush that keeps them going. The inner desire to succeed combined with the hard work of the real world makes all the difference. As an entrepreneur, you never underestimate the competition and you never underestimate your ability to rise to the occasion. Small business is dynamic and your energy level, both real and perceived by others, influences how successful you will be in the marketplace. In the small business world of modest profit margins, fierce competition and time constraints—don't be guilty of the four cardinal can't do it ways of thinking.

- I can't. I have no time—I'm busy handling what I have now.
- I can't. There is just not enough money to do everything.
- I can't. My competitors are making the market too tough.
- I can't. Technology will only complicate my business.

Successful entrepreneurs are people of endless possibilities. Not every opportunity is seized. No, an unending supply of funds is not available. No, competitors don't go away. And no, technology doesn't arrive without a learning curve. Yet, those people you most admire in business look not at obstacles but at opportunities. That spirit of can do—what can we do today, what will we do tomorrow and how we will succeed is the essence of success.

Successful business people know where their businesses are going. They have a plan that they are willing to follow to the letter, in order to achieve their clear goals. Mentally prepare for success. Develop the can do outlook. Be the motivator, the dreamer and the real world implementer. Commit yourself to the balancing act of the world of possibilities and the business realities. You set the tone for your business. Customers, colleagues, employees and lenders all look to you to gauge the value and strength of your business. Your positive attitude and energy signal the vitality of this small business.

Every entrepreneur should have a sounding board outside the business—be it a colleague, friend or business counselor. Get different perspectives. Gain energy from other's ideas, as well as your own. Contact the SCORE Association (Service Corps of Retired Executives) and request free and confidential small business counseling.

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Motivational Ask SCORE

Lead By Example To Grow Your Business

459 Words

What makes a business grow? Leadership. The leadership and vision of the entrepreneur light the way for business success. You and your employees follow the course you have set for the business. Be sure that you lead by example when it comes to working hard, valuing lifelong learning and appreciating employee's contributions. Your personal attitudes and actions influence those around you.

Some people just love their chosen occupation and nothing makes them happier than doing a good job. They enjoy meeting and helping people. They're enthusiastic. These owners are enthusiastic and positive around everyone—especially customers and employees. People want to be surrounded by positive people. A leader who may not be charismatic, but is positive draws a positive response from those he or she interacts with. A positive outlook can help develop a can do attitude among employees and can generate a feeling of goodwill among customers.

Many successful business people participate in lifelong learning through personal and professional activities and studies. Those entrepreneurs who are open to new ideas and new ways of doing things have the best chance for success. The willingness and ability to respond to change are a competitive advantage in business large or small. For the adept entrepreneur this speed means quicker adjustments to products and services, so the company is delivering exactly what the consumers want just in time.

Owners have a personal and professional interest vested in the success of their business. Extend that interest to the employees who help you get the job done. The company's success depends upon its leadership and part of leadership is valuing employees, so they work not for just a paycheck but for job satisfaction. Offering fair wages, good working conditions and opportunities for improvement help you attain and retain qualified employees.

Successful business owners are optimistic about where their business is going and have a clear picture of the results they seek.

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The business leader is able to “paint the picture” for employees, so they can share in the company vision and become more vested in the company's success. That

same business owner projects his or her sense of confidence, which reassures both employees and customers, that this is a stable and successful business.

There is power in positive thinking. And, there is power in leading by example and motivating those around you. If you would like to discuss strategic planning, lifelong learning programs, employee benefits or customer service issues, contact the SCORE Association (Service Corps of Retired Executives).

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SCORE
Ask SCORE

480 Words

Successful Entrepreneurs Know When To Ask For Help

Entrepreneurs are independent by nature. Business owners take the risk of entrepreneurship because they have bright ideas and the skill and determination to get the job done. Often entrepreneurial beginnings can be traced to starting out alone. But, there is no need to go it alone. Resources are available to help entrepreneurs succeed and succeed more quickly. It is admirable to go it alone, but it may make sense to call upon others for some help if it means greater success for your business.

There is an insurance policy available to help you succeed and there is no premium to pay. The business back-up I'm speaking of is SCORE—the Service Corps of Retired Executives. More than 12,000 working and retired business managers and business owners donate their time and talent to help entrepreneurs. SCORE volunteers provide business counseling and mentoring to entrepreneurs as a free and confidential service. Experts in accounting, finance, human resources, law and marketing are available to give advice and counsel you on business issues. These volunteers serve in one of 389 SCORE chapters throughout the United States. SCORE counseling is free and only a phone call away.

SCORE counselors bring extensive business backgrounds to the table. Their expertise is donated to help you bring more resources to your business, without adding expenses. If you want to discuss business planning, a SCORE counselor can help. If you want to discuss the tax implications of changing your business from sole proprietorship to corporations, SCORE can help. And, when needed a SCORE counselor may suggest that you consult with your attorney or accountant for specialized guidance regarding current laws. In addition to counseling, SCORE offers low-cost workshops and seminars on a variety of business topics ranging from how to start a business to developing a succession plan.

As the business owner, you make the critical decisions that affect your business. Sometimes you will pay for the advice of consultants and experts.

(More)

Perhaps you will now call on SCORE for business advice and mentoring that doesn't cost you anything. SCORE can offer this service free of charge, because so

many professionals around the country have succeeded in business and want to share their real-world knowledge with others.

If you would like to discuss business planning, business growth strategies or a specific business issue, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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SCORE

Ask SCORE Column

415 Words

SCORE Offers Quality, Business Counseling

“Ask SCORE” columns are provided to answer common business questions and to provide aspiring entrepreneurs and business owners with insights into how to successfully conduct business. The SCORE Association (Service Corps of Retired Executives) is a nonprofit association dedicated to the success of small business in America.

The “Ask SCORE” columns address a wide range of business topics and provide insights into how to address particular business situations or issues. The columns help provide a sample of the kind of business advice an entrepreneur can expect from a SCORE business counselor.

Even with these regular columns, many questions remain unanswered. If you have a business question or issue you would like to discuss, feel free to call upon SCORE for assistance. More than 12,000 volunteer business counselors donate their time and expertise to provide advice, explanations and information about small business ownership. These volunteers are ready to assist you. SCORE business counselors are working and retired business owners, executives and managers—who have real-world knowledge and experience to share with you.

Anyone in business or interested in starting a business can meet with a SCORE business counselor for confidential counseling or mentoring. All SCORE counseling is offered as a free and confidential community service. There are 389 SCORE chapters around the country assisting entrepreneurs. While counseling is always free-of-charge, local SCORE chapters also offer small business workshops and seminars. Modest fees are charged to help defray the cost of such programs.

SCORE business counselors have particular expertise in business planning and help numerous business start-ups through the detailed and time consuming task of preparing a business plan, complete with financial projections. Often start-up companies need to seek out sources of capital and SCORE business counselors will assist the aspiring entrepreneur with the preparation of the loan application package, which includes a business plan.

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Many clients request team counseling, in which several counselors with varied business experience will meet with a business owner to review strategies and plan for future business growth.

The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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SCORE
Ask SCORE

477 Words

The SCORE Association Marks Milestone: America's Premiere Business Counseling Organization Celebrates 35 Years of Success

This year SCORE, Counselors to America's Small Business, celebrates 35 years of helping small businesses succeed. Every year, 12,400 volunteers donate their time and expertise to advise, counsel and mentor entrepreneurs face-to-face and via email. SCORE's volunteer executives, both retired and working, have helped nearly 4 million Americans through free and confidential business counseling, since 1964.

SCORE assists more than 300,000 small businesses each year with face-to-face counseling, email counseling and training. Together, SCORE local chapters offer more than 5,000 low-cost business workshops and seminars each year. SCORE's team of volunteers donate more than 1 million hours every year to aid small businesses.

“SCORE is a unique organization that has had a tremendous impact on millions of American small businesses and the entire American economy. We are celebrating the accomplishments of the past 35 years, while looking forward to reaching out to even more aspiring entrepreneurs and small business owners in the future. Committed to modernization efforts and the expansion of SCORE's service offerings through its Web site, SCORE plans to double its service volume by the year 2000,” says Emmett Gumm, SCORE president. Many of SCORE's 389 chapters will celebrate SCORE's 35th anniversary locally with special events throughout the year. Contact your local SCORE chapter to find out about what is happening in your area.

SCORE represents the spirit of volunteerism—volunteerism dedicated to helping people achieve their American dream. For 35 years, SCORE has provided business counseling and training through 389 offices. In addition, through the SCORE Small Business Web Site (www.score.org) small businesses can receive email counseling.

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Email counseling allows small business owners and aspiring entrepreneurs to select and correspond with a SCORE counselor via email. The SCORE Web site

reaches an audience of about 200,000 people each year and conducts tens of thousands of email counseling sessions.

Visit the SCORE Small Business Web Site (www.score.org) for all new features in January. A free, email newsletter with small business tips debuts in January, along with all-new how to articles related to home-business, finance, sales and recruiting. Check out the 35 Hot Small Biz Sites To Bookmark in '99. Check out the 35th anniversary section recognizing SCORE anniversary sponsors: Visa U.S.A., Network Solutions, IBM, Inc., the National Business Association and Reproductions. SCORE is a resource partner with the U.S. Small Business Administration.

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Theft Prevention

Ask SCORE

585 Words

Take Steps To Prevent Employee Theft

Your best protection against theft is preparation. No one likes to think a customer, employee or anyone would steal from their business. Yet, it does happen. It's up to you to put systems and controls in place that help keep honest people honest. You also want to implement measures that help protect you from an outside robbery. All businesses regardless of size can take steps to particularly reduce employee theft. Employee theft is often cited as the most common type of theft within small businesses.

As a first step in theft prevention, carefully screen job applicants before hiring a new employee. Background and reference checks are especially crucial for positions in which the new hire will be handling money. Ideally, a background check should include a check of police records. Next, keep up to date inventory records and audit the inventory on a regular basis. Many firms audit quarterly, others bi-annually. Generally, the more frequent the inventory audit the better able you will be to spot and correct the problem. When records are poorly maintained, the chances of theft increase because the chance of being caught decreases.

Careful training and supervision of employees, routine record keeping and review of inventory helps eliminates the opportunities to steal. Only a few specific employees should have keys to the business. Installing time locks and alarms can also help prevent theft. The more doors a business has, the more opportunities there are for theft. Other preventive measures may include the installation of a central alarm system or motion detectors. Major losses can often occur when employees take merchandise after hours. Another way to discourage theft and recognize the value of employees is to offer employee discounts on merchandise. This can give employees the feeling that they are valued and also make merchandise more accessible to them in a legal manner.

Incoming inventory is a target for theft. When inventory is received have two people check the incoming inventory. Log items received compared to the shipping ticket. Upon occasion items aren't shipped or are miscounted prior to shipping. Be careful not to wrongly accuse an employee.

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The two-employee inventory process helps verify the contents. Flatten all trash cartons and spot check cartons after hours, be sure no merchandise has been left

inside such cartons. Keep the shipping and receiving door locked, except when in use.

If you suspect a thief among your employees, document missing items. Keep detailed records of employees who were working on the days in question and hold a training session of the prohibition against theft. If the theft is minor, you may elect to provide training and alert employees to your concerns in general. Continue to document your inventory. If the problem persists, report it to your local authorities. This adds gravity to the situation and may help dissuade others from stealing or help you catch the thief.

If you would like to discuss ways to reduce the possibility of employee theft, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Business Life Insurance Is Important

Business life insurance can be written for many reasons. Among the more important are: to provide continuation of a sole proprietorship or the death of the owner; to provide continuations of a partnership or the death of one of the partners; to provide for reimbursement of loss and to provide for a replacement in case of the death of a key employee; and to provide funds during the period of transfer of control of sale. While no one likes to think of such eventualities, it is the responsibility of the business owner to anticipate such events and prepare for as little disruption to the business as possible in the event of such tragedies.

The right insurance policy cannot only cover the dollars needed for transfer of the firm, but it can provide the funds required to carry on the business during the process of transferring ownership. Funds will be needed, almost immediately. There will be debts, taxes and administrative costs. The owner's family may need income to tide it over the period of legal transfer. If there is no one in the family capable of running the business, funds may be necessary to hire a general manager. If the business is to be sold outright, working capital will be required to avoid a distress sale. The designated purchaser—if there is one (the surviving partner or partners, employees, or an outside interest)—may need financing to cover the purchase price.

There are important legal documents needed to ensure the survival of the firm; your attorney and insurance agent can help decide what you will need. Three key legal agreements are: a trust agreement, a will and a buy and sell agreement.

- **A trust agreement or will.** Either document can be used to spell out the new legal ownership of the firm upon the death of a sole proprietor or partner. A trust agreement is preferable, since it avoids the costs and time required for probate.

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- **A buy and sell agreement.** This tool should be used in the case of a partnership. In the absence of legal safeguards, a partnership automatically

dissolves at or shortly after the death of a partner. The only business allowed is activity related to liquidation. If the business continues, the surviving partners are liable for losses incurred should assets not cover losses. The buy and sell agreement provides for a pre-arranged method of evaluating the deceased partner's interest.

To discuss business life insurance, legal protection of the business and long term plans for business continuance, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Are There Benefits To Leasing Equipment?

Equipment leasing is one way a small business can avoid tying up large amounts of capital. All types of machinery, equipment, furniture, computers and vehicles can be leased from or through banks, commercial finance companies or leasing firms. It is true that the equipment lease payments may be lower than a payment-for-purchase. However, over the life of the lease, you will generally end up spending more than the equipment's original purchase price, if you had bought the item outright. However, the resulting available cash from avoiding numerous debt payments in fixed expenses, can help improve the cash flow of a business.

One drawback to leasing is the loss of the tax benefits that accrue from the capital depreciation of major items such as buildings, major equipment, computers and vehicles. An owner, who purchases such items can depreciate their declining value on successive tax returns, and thereby reduce the tax burden for the business.

However, you must look closely at lease rates. Lease rates may be low enough to offset this future loss of depreciation value, since the leasing organization has the advantage of making volume purchases that result in a reduce price on the equipment at the beginning of the lease. In some cases, the lease payments may eventually total less than if the equipment was purchased outright—although this is likely to be a rare occasion.

For small businesses that use computers, there are many benefits to leasing rather than purchasing a computer system. For example, if there are major improvements in a computer system during the period of the lease, the business owner may be able to upgrade the system by merely changing the terms of the lease. Even though the unit price of computers has dropped over the past few years, a computer system is still considered a major purchase. This is an item that can be depreciated.

The small business that owns its equipment can sometimes arrange a sale or lease-back agreement. Under this type of agreement, the small business sells its equipment to a bank, finance company or leasing firm at a price near current market value.

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The buyer then leases the equipment back to the firm, which continues to use it until it needs to be replaced.

Assistance is available to help you evaluate the benefits of leasing vs. purchasing. Your accountant and tax advisor are both good sources of information. In addition, you can call upon the SCORE Association (Service Corps or Retired Executives) for free and confidential business counseling on this and other strategic and operational business issues.

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Theft Prevention

Ask SCORE

580 Words

Guard Against Robbery

Robbery is a growing concern for entrepreneurs. The retail store must be particularly careful, because the premises are visible and accessible. Take steps to reduce the likelihood that you or your business will be victimized.

Traditional targets include convenience stores and liquor stores. However, all merchants who keep a significant amount of cash on their premises may be targets, regardless of location or merchandise type. There is no foolproof method to prevent a robbery, but some practices can reduce your risk and exposure to loss.

Business owners should have insurance for their establishment. Meet with your insurance agent regarding insuring your inventory. Make it a policy to limit the amount of cash you keep on your premises at any one time. Business owners who make regular and frequent bank deposits substantially reduce their risk. If you handle a lot of cash, make deposits twice a day. Make a deposit during the day, so you can get the bulk of cash out of the store before evening.

Police officers frequently advise that you act as discreetly as possible when carrying large sums of cash and that you vary both your hours and route to the bank. Don't create a clearly discernible pattern, which may make you an easy target. If your cash receipts are extremely large, you may want to hire an armored truck service to transport cash and provide another layer of insulation in the exposure of cash to risk.

Some armored car services will rent the owner dual control safes, permitting the user to deposit funds in the safe without opening the safe door. The safe can be unlocked only jointly by the armored car driver and business owner or cashier. Decals clearly mark the safe as being under dual control. Because this makes access difficult, it reduces the chances of a robber getting a large sum of cash. Merchants whose businesses keep late hours may purchase drop safes with an inner compartment and special cash deposit drawer. These safes work on the same principal; only the manager or owner has access to the cash once it has been deposited.

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One of the simplest and greatest deterrents to thieves is adequate lighting. It's so highly regarded as a deterrent that in some areas law enforcement agencies require businesses to maintain acceptable light levels at all times. Good lighting in the front, back and inside and outside of the store can help patrolling police officers spot trouble at your establishment. Clean and uncluttered windows are another good idea. If advertising posters and signs cover a large part of your display windows, a robbery may not be seen by a passing patrol car. Surveillance cameras that provide daily and nightly recordings of store activities can act as a deterrent. Further, videotape of a robbery provides the owner with more effective means of prosecution because of the video evidence.

To discuss crime prevention strategies and prudent cash management on the premises, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Theft Prevention

Ask SCORE

486 Words

Do Not Escalate An Armed Robbery

Small business owners want to protect their property and earnings from theft. If your business is isolated in a high crime area, consider using protective glass to enclose the cashier and register. The enclosure should be high enough to prevent someone from vaulting over the top. The opening for transfer of cash should be too small to permit the insertion of a weapon that might be used to threaten the cashier.

In the event of an armed robbery, police advise victims to cooperate with thieves rather than resist them. During a holdup, the business owner should be concerned with personal and employee safety and gathering information that might be helpful to the police. You and your employees should obtain training on how to notice distinguishing traits about the thief. Try to observe characteristics like sex, age, height, weight, race and color of skin and eyes. In addition, remember identifying characteristics such as scars, tattoos, limps and speech. Law officers suggest two easy ways to estimate height: compare the robber with a familiar structure in the store or mark the doorframe with various heights.

Accurate descriptions of the weapon can also be a big help. Try to notice whether the criminal touches anything: counter edges, door handles, cash register keys, etc. Don't touch those areas until the police arrive. Tell police what the robber might have touched. Your best course of action during a robbery is to comply with the robber and pay attention to every detail, so you can be a strong witness for the police. Let the police pursue the robber. Try to note how the robber escapes. If on foot, in what direction? If in a vehicle, try to get the license number. Call the police immediately after the robbery to file a report.

Your testimony may be the only evidence in a robbery case, unless identifiable money from the crime is found in possession of the suspect. Some police departments recommend that retailers maintain a stack of "bait money" for just this purpose. Keep such money within easy reach of the register; never give this money out as change to your customers. The serial number and series year of each bill are recorded and stored in a safe place, so you can relay the information to the police.

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If you would like to discuss crime prevention or security measures, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Theft Prevention

Ask SCORE

648 Words

Develop Systems To Prevent Cash Shortages

As a small business owner, you need a system to generate sound financial information about your firm. A good system provides a full picture of the firm's financial strengths and weaknesses and provides information vital for making daily business decisions. A list of some of the key elements in such a system appear below:

- **Income and profit and loss statements** show the company's sales, cost of goods sold and gross and net profit. Such statements should be analyzed on a monthly, quarterly and annual basis. These statements indicate your profitability and the amount of cash you have available to the business.
- **Operating cost estimates** project where a firm will be spending its money. The projection can be compared against actual expenses shown in the income statement on a monthly basis. When expenses are viewed by category, you can compare your own operating expenses to those that are the standard for your industry.
- **Balance sheets** show what a business owner owns and owes at any given time. It is a snapshot of the financial status of the business. The snapshot shows the liquidity of the business by depicting how much cash is on hand to meet debts and how much cash would remain if all current payables were met at that time.
- **Aging statements** summarize the age and due dates for both accounts payable and receivable. This information lets the business owner know if he or she is up-to-date on meeting debt obligations for the business and if customers are meeting their debt obligations to you.
- **Inventory control statements** allow you to monitor inventory levels against the consumer demand. You should be able to monitor how many times an item or the entire inventory turns over during the course of a year. This turn indicates how often you are re-ordering merchandise. If well designed, they can also help you spot shortages that may result from theft.

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These statements all provide information about the financial status of your business. This information can be used to determine if you should be collecting account receivable faster; paying your own invoices sooner or increasing sales or sale price to improve profit margin. To pay bills and make a profit, a business must sell a sufficient volume of goods or services and receive payment. The best way to control cash is to establish a firm credit policy and make your customers aware of the credit policy.

Delinquent accounts must be pressed at once for payment and further credit may be suspended until payment is received. An important tool is the accounts receivable aging statement. This statement shows the amount of credit each customer owes your business, as well as any amounts past due and the amount of time an account has been overdue.

Plan and control your accounts payable. Instead of making all your payments on the same monthly date, gain the maximum benefit of credit by paying invoices when they come due. Do not pay invoices early, unless you can earn a discount from the vendor, who is your supplier. If cash is tight, the accounts payable statement can indicate which accounts need to be paid right away and which accounts can be paid when you have more cash on hand.

If you would like to discuss, financial statements, accounts payable or accounts receivable, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Time Management

Ask SCORE

573 Words

Your Time Is Money, Spend It Well

As a small business owner, you usually have more to do than time permits. Depending on the size of your business, you may function as personnel director, purchasing agent, sales manager, accountant, advertising director and chief operations officer. Your time is the most valuable commodity in the business, because you are the visionary that sets the direction for the company's operation and growth.

You always need to be sure that you are using each hour as productively as possible. Hours of valuable time can be frittered away on insignificant chores. The time you spend on things you enjoy may be the less important or productive tasks. Find it within yourself to avoid simple, repetitive tasks that may be comforting, but don't utilize your full expertise. As the owner, your vision, energy and expertise need to be focused on the product or service, market, sales and profitable results. Those above-mentioned goals alone are big time takers. Keep your energy focused on making the money, which fuels the business and your income.

To use your time more efficiently begin to organize your thoughts, plans, files and activities. Start by keeping a daily log of how you spend your time during a one-week period. Note the amount of time you spend on small tasks or interruptions, which take you away from important work. These distractions may be crises of the moment or an unproductive phone call. After a week, you should see a pattern of effective activities, ineffective activities, time of day for the most accomplishments, time of day for the least accomplishments, and the overall time commitment to high priority vs. low priority items.

Once you have identified your time usage, evaluate each type of activity and the time spent on each. You should be able to define which activities are important to operations and which activities are time stealers. Begin to decide what tasks can be eliminated or minimized. Second, decide how these tasks can be better managed. Does more effective time management mean omitting a task, streamlining a process or bringing on short-term help to handle specific duties?

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After you realign non-productive or less productive tasks, plan to use your new found time. Block the time for analyzing major operational decisions, future planning, or sales calls, etc. The time you have freed up will become busy again. Make sure you identify the tasks you want to accomplish in that time period. Your time is money. When you are planning, marketing, selling or delivering your product or service you are making money. When you are administering the business, you are simply keeping the engine running. Your business should be driving down the road, full speed ahead. Your energy is the driving force in the business; focus that energy so your time means more money.

If you would like to discuss effective time management for the busy entrepreneur, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Time Management

Ask SCORE

Delegation Delivers Results

592 Words

You are an entrepreneur. You create the company vision, manage operations and handle details. Whether you are a solo entrepreneur or small business owner with a number of employees, plan to delegate. The solo entrepreneur may not have the funds to hire a full time staffer. Consider a part-time employee, contract employee or intern to help with specific tasks. Free your time from mundane activities, so you can concentrate on delivering a quality product or service, as well as making those all-important sales.

When you are running a business, you have to depend on other people to handle some of the tasks you don't have time to do yourself. Delegation is one of the toughest jobs to learn. Entrepreneurs are take charge individuals. Many an entrepreneur has said, "I can do that better myself." Beware of such words. If all you had to do was that one item, chances are you could do it better yourself. However, you have a long to do list already; some projects are best delegated and supervised. It takes discipline to let go of tasks both simple and complex. Consider delegation as part of your overall plan for the business, even the owner needs a break. You need to plan for contingencies, such as an illness or time to take a vacation.

Select the right people to undertake delegated duties. Evaluate interns, part-time employees and contractors carefully. Provide time for orientation and training. If you have a staff of employees, begin cross training so there are back-up systems for your absence or the absence of key employees. From your employees, choose competent employees with an interest in new tasks. Delegation can be an opportunity to learn new skills and/or take on added responsibilities. Don't hand off tasks without discussion and training if needed.

Employees should be valued. Delegation should provide an opportunity for you to ease your workload and communicate to the employee that you are entrusting him or her with the tasks because of your confidence in the employee's abilities. Clearly define responsibilities and the authority that accompanies the task. Be sure to plan on recognizing and rewarding employees, who assume additional duties. If employees step up to the plate, you want to be sure and demonstrate appreciation for the extra effort.

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The team of people to whom you delegate responsibility must be responsible for their own actions and results, as well as for those they may supervise. Request periodic written reports and staff meetings to provide a forum for comments on activities, accomplishments and challenges. Become the communicator and facilitator for the work of company. Bring the big picture into focus. When it makes sense, delegate. Free your time to be the president. Create an environment that allows for the company and its workload to grow, without overburdening you. As the owner, your vision and management ability are best served when details are managed, rather than when you complete tasks yourself.

If you would like to discuss workload, delegation and effective leadership, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Business Planning

Ask SCORE

541 Words

Plan For Success, Implement For Results

It seems so simple—decide where you want to go and then follow the map to get there. This simple concept is the cornerstone of small business success. Small business is a risky opportunity, one, which has the potential for great dividends. Small business ownership is a thinking endeavor that requires you as the entrepreneurs to know not only that you want to own a business, but what the business will be, how it will operate, and what results you expect short term and long term.

The bottom line about small business ownership is this is your livelihood. For many entrepreneurs business ownership is a dream. A dream that millions of Americans have made a reality. To take the step from dream to reality, begin with the basics. A business plan and start-up capital are two basic elements of a small business start-up. The business idea needs to be stated in clear terms, in writing. This clarifies the purpose of your business for you and for potential investors or lenders.

If you plan to obtain a bank loan or Small Business Administration guaranteed loan to help start your business, you will need a business plan. The business plan addresses your plan for doing business and exactly how the money will be used to finance the business, operate the business, provide an owner's salary and define the net profit resulting from the business enterprise. Banks will generally require the business plan and information about start-up capital you—the entrepreneur—are bringing to the business. The more clear and thorough your plan, the better your chances for obtaining credit.

About 30 percent of the population is thinking about opening a business. Of those individuals about 4 percent actually go into business for themselves. If you want to make a commitment to being your own boss, begin by investing your time in developing a business plan. Through the business plan you are testing your idea, calculating how much you will have to sell and at what price to break even and to make your enterprise profitable. This is information you want well in hand before you take the risk and hold that grand opening.

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A business plan describes the business, its product or service, marketing strategy, operating expenses, expected income and a projection for future growth. A business plan may average 10 pages. Your idea and summary of the business will be one page. This one page snapshot is the map that gets you started on your path to success. The details described in the plan answer the questions about tangibles such as product/service, price and the cost of doing business.

Aspiring entrepreneurs can meet with a SCORE counselor (Service Corps of Retired Executives) for advice on business planning. The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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Management

Ask SCORE

Find A New Product For Your Manufacturing Firm **639 Words**

All products have a life span. Some mature products can be rejuvenated through an updated promotional campaign or packaging. In some cases, a small manufacturer can expand sales in new or existing markets with product enhancements. In other cases, the only way a small manufacturer can maintain market share and expand sales is to introduce a new product.

To find the right product, you need to do some research and answer some basic questions about the suitability of new products in relation to your current production resources. Set some minimum standards that a new product must meet for you to even be interested in the venture. And, before you invest too much time and effort into the endeavor find out what the market trends are for products. Keep in mind that a new product must be in response to consumer demand.

You may have a particular product in mind already or you may be searching for a new product that has never been brought to the marketplace. Begin researching product possibilities. Sources of information that can provide leads are information on government owned patents, privately owned patents, the U.S. Department of Commerce, inventors trade shows and licensing brokers. Take time to get a perspective on the range of available products. Then begin to narrow your search to the handful of products that may fit into your marketing and manufacturing mix.

Ask yourself the following questions. Can you introduce a new product that would be an add-on to an existing product line? Are there market indications that a particular product is in demand within your general product category? Do you see the potential to use existing resource in the production of the product? Can your current manufacturing operation be readily modified to bring a new product to the market? Will this new product be targeted to your current customer base or do you need to target new customers?

Pay particular attention to your physical capabilities within the manufacturing context. You will need to modify existing equipment or purchase new equipment to handle production of the new product.

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Also consider personnel training and the complexity or simplicity in the manufacturing of the new product. In addition, you must consider your in-house resources for the storage and shipping of the new product. Can this product be distributed through existing channels? Ideally, you want to incur as little expense and make as few changes to overall operations as possible. Part of your goal is to maximize manufacturing capability and allow the structure of your firm to support the distribution of a new product.

Take these three tangible steps in your quest to launch a new product: decide on a product; gather information about market demand; and define manufacturing requirements. Once completed, you can move on to the competition. Who are your potential competitors? Has a similar product already been introduced? Can you improve on the product to effectively compete? Could a larger competitor step in and capture the market? Identify competition obstacles and plan sales strategies. You and your sales team need to carefully plan the product launch, sales goals and customer service levels related to the new product.

If you would like to discuss new product development, manufacturing reorganization or a new product launch, contact the SCORE Association (Service Corps of Retired Executives). The SCORE Association was formed in 1964 as a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. For information about starting or operating a small business, call 1-800/634-0245 for the SCORE chapter nearest you. More than 12,000 volunteer members provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. SCORE has assisted nearly 4 million Americans with small business counseling. Visit SCORE on the Web (www.score.org).

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