

Looking for Help? Find Your Business Solutions Beginning on Page 13.

December 2016

The Monthly Resource Guide For Startup Businesses

NEW BUSINESS

MINNESOTA



Planning for Success

in

2017

Special Report

To get you going in the right direction for the New Year and keep you on the path to success, we have lined up a team of experts to share their insights on planning, budgeting, goal setting and more. You need these strategies.

Thomas Mould, CPA, Valley Accounting & Tax;

Vernon Stading, Devoted Business Development;

Bob Voss, Business Planning Author.

Planning for Success in

2017

Take Control of Your Business.

Applying These Planning
Strategies Will Set You on
Course to Grow Your Business.

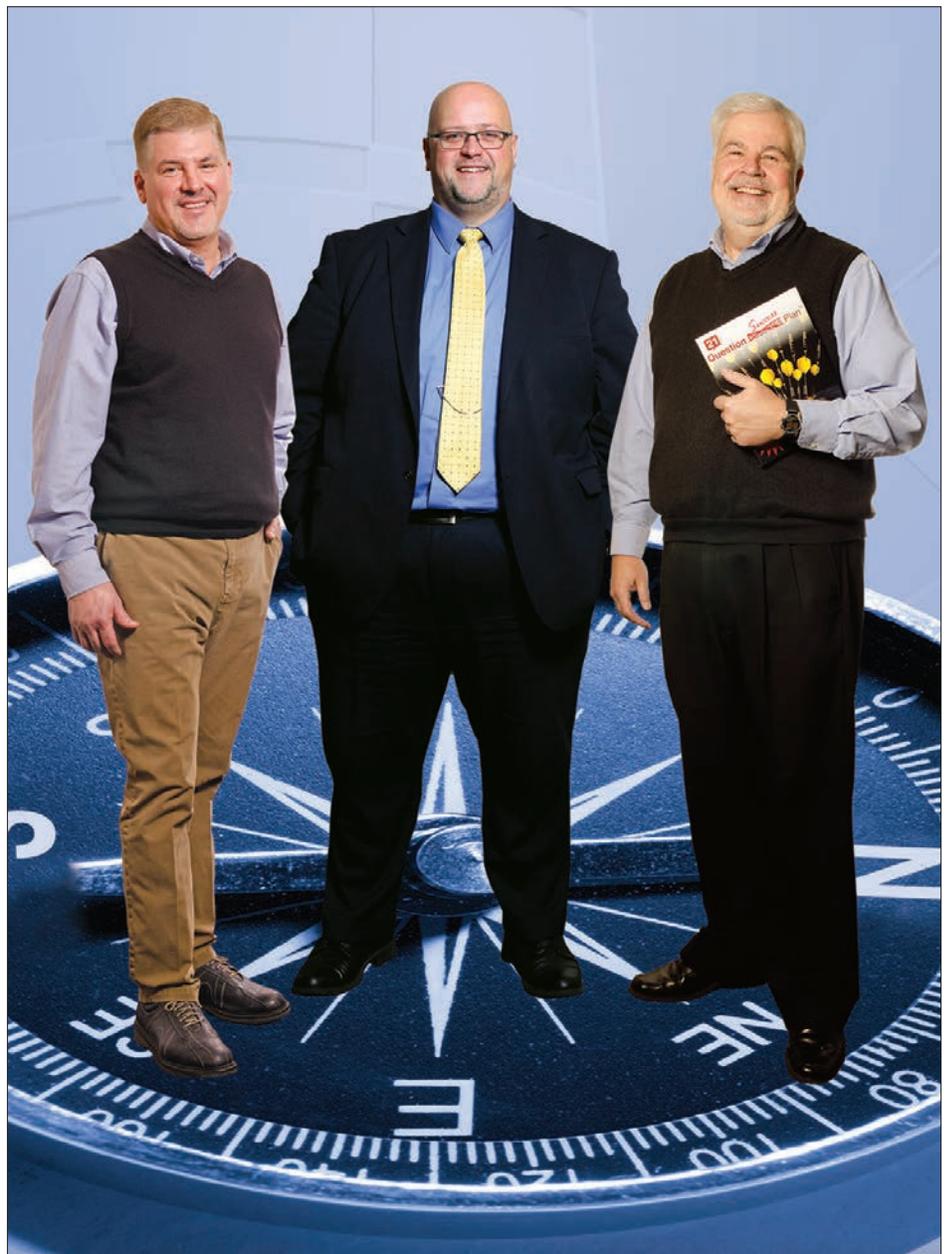
From the Publisher:

As a new business owner, you will need to master the art of planning. That means using your business plan, following your budget, mastering your numbers, achieving your goals, developing a marketing strategy and taking charge of your future.

It's so easy for new businesses to react to situations that confront them early on. With solid planning, you can anticipate many problems and prepare for them.

New Business Minnesota approached the experts on these pages to share their expertise and offer insights that every new business needs to succeed in 2017.

The authors will share more information in a free interactive workshop from in January. New Business Minnesota will hold its monthly Startup Meetup networking event immediately following. For more information and to register and RSVP go to www.newstartupmeetup.com



Plot A Course and Follow Your Numbers

Let Budget and Financials Keep You Focused on Executing Your Business Plan.

By Thomas Mould

Valley Accounting & Tax

Business is a numbers game. Numbers are how we keep score. They tell us if we are winning or losing, expanding or contracting. They tell us exactly what condition our business is in at any given point and in relation to where we planned on being.

In planning, you determine your definition of success. In your first year, it might be defined as breaking even, or only losing a certain amount or achieving some level of profitability. As the year progresses, your numbers will tell you how you compare to plan.

Budget

A budget is the financial representation of where you want and need to go. If you cannot translate your strategy and tactical decisions into a coherent, understood, positive financial plan, then it's probably a signal that your strategy and tactics need some work.

Your budget helps you focus towards a specific goal and understand the investment (costs) that are required to take you there. It's a lot like consulting MapQuest or Google Maps before you start heading somewhere.

The power of a budget is magnified when you can share all or some of it with your employees. It helps them understand where they are headed and sets expectations around how to get there and what it should look like when you arrive.

It simultaneously empowers them to act and holds them accountable for their performance.

It's worthwhile to work with an accountant to help you put together a clear and sensible budget, incorporate it into QuickBooks and create effective reports. That investment will pay off in a big way.

Focus Attention

Numbers can speak to you and guide you to areas that need attention. Tracking sales by product (or service) and/or



salesperson and/or region will help you see where efforts are paying off and where further evaluation or refinement might be needed.

When you take your sales and subtract direct costs (labor and materials) you can

measure "contribution margin," which helps you to see how much cash flow particular sales are contributing toward covering your fixed costs.

Examining your costs and cost structure will help you maintain agility and creativity.

Cash capital is not endless and by knowing how much you can spend and living within those parameters will spark new ways of thinking about how to accomplish things smarter, faster and better for less money.

High costs are obviously a problem, but worse, underneath those costs are very likely behaviors or mindsets that need to be improved or eliminated.

Balance Sheet

Ignore the Balance Sheet at your own peril. While most business owners can handle their Income Statement, many don't appreciate the value of the Balance Sheet. Don't be left wondering, "What happened to my money?"

Beware. You can show a nice profit on your Income Statement and still have negative cash flow. For example, you beat budget projections by making \$10,000 in a month with only \$9,000 in expenses. Profit! Your Balance Sheet, however, tells the full story by including your net Receivables/Payables change and debt payments of say \$3,000 thus showing cash losses of \$2,000.

Each financial report provides important information to help guide you. Use them both to get the most accurate picture and a more complete understanding.

I always make a point to make sure my clients understand their financials. Once they have a basic understanding of their balance sheet it helps them gain a powerful perspective on cash flow that will help in assessing their business practices.

Commonly, if Receivables are high, that means that a lot of earned cash is not yet in

Valley Accounting & Tax

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your bank account. This can be a clear sign that payment terms should be reviewed. Terms can be tightened, or discounts can be offered for prompt payment, or change the invoicing process to get them out sooner. A good accountant should be able to help you look at both technology and process improvements to change the mechanics of your billing.

The Tax Man Cometh.

Between Payroll, Property and Income Taxes at both the Federal and State level, taxes can easily take 50 percent (or more!) of your revenue. You better understand your business numbers and have them under control. Your accountant (and lawyer and investment advisor) needs reliable numbers from you if they are going to do a good job for you.

Having a comprehensive strategy that considers your goals/budget, your operation, your cash flow, your capital and your tax strategy is essential.

Every dollar that you can legitimately save in taxes is a dollar that's available to be deployed somewhere it is really needed.

An effective tax strategy is about more than meeting the tax deadline with all the forms correctly filled out and signed. It involves steps you take all year long to look at every aspect of your business. It's a process that enables you to anticipate rather than react. It's practiced by every successful business.

A common mistake business owners make is to focus solely on lowering their tax liability. You will pay less because – with your deductions – you made less. But if you have capital needs that will involve borrowing or refinancing, the bank will look at your company as “poor,” as in lacking the revenue to repay the loan. Planning helps avoid this.

Far too many business owners take a knee-jerk approach to tax planning at year end. I hear it often. “Should I buy a new truck?” While they may like a new toy and would love to have “permission” to buy one, the first question I ask is, “Do you need a truck?”

By paying attention to your numbers, you might see that there are other ways

you can invest in your business more productively than that shiny new truck.

Planning provides time to think and prioritize. Could you benefit from market research that would generate new sales leads? Should you invest in your web-site or an incentive program to motivate your sales people? Or a piece of equipment that gives you capabilities that new and existing clients would want?

Working with your accountant to identify opportunities to manage your tax burden and simultaneously invest in what matters is a great tax strategy. Your accountant should be a trusted business advisor.

We all need fuel.

Businesses need fuel. We call it capital. Sometimes it comes from a family member, friend, angel investor, bank or other lending institution or all of the above.

Managing your numbers means that when the time comes, you can produce clean, clear financials that will tell somebody “I know what I'm talking about” and “You will get paid back.”

Realistically, in the small business and entrepreneurial markets, these capital decisions will come up quickly. The age of information has certainly added velocity to the speed of business. Make sure you keep up.

I find that those business owners who have paid attention to their numbers have the ability to quickly work with their accountant to put together the “story” that's needed in order to gain access to the capital that's sorely needed.

It is far easier and cheaper to get your books set up properly early on rather than try and clean them up later just before you meet your banker.

Collaborative Accounting

While most small business owners appreciate what an accountant can do for them, they shy away because they think it will be too expensive.

That's why we created our Collaborative Accounting program. Our business model recognizes that our biggest competition is a business owner shunning professional help, Googling and just winging it.

Valley Accounting & Tax, along with a number of lawyers and investment advisors we know, understand that our professions come with responsibilities. We need to be affordable and scalable to the people who need it. Otherwise it doesn't matter. We love the entrepreneurial market and believe in offering affordable services to help the emerging wave of new businesses.

Our Collaborative Accounting model harnesses QuickBooks Enterprise on our server to host our clients' information. We can both see what is going on. We're tethered together. If you have a question, we can check on it real time.

Costs are controlled by how much or how little you want us to do. For some we do bank reconciliations, adjusting entries, even cut and mail vendor checks. Or a client just wants us to check their books and discuss the financials once a month or quarter.

We offer a service that is compatible with our belief and philosophy. Flexible solutions are essential to staying true to that philosophy. A one- or five-person company deserves the same professional help as the big companies.

Conclusion

We have worked hard to create an accounting model that is geared toward creating agile, affordable and scalable solutions for any business.

Numbers definitely matter, and more importantly the people behind the numbers matter as do their dreams and goals. What you've done or failed to do about your numbers in the past is irrelevant. You can start right now.

Make it a goal to invest in your numbers in the New Year and reap the incredible returns they will bring.

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Thomas Mould, CPA, is president of Valley Accounting & Tax, an accounting, tax and business advisory services firm that helps business of all sizes make their numbers work for them running their businesses, tax planning, charting their course and managing growth. He can be reached at (952) 432-3140 or tmould@avaat.net

www.avaat.net

Call To Action

Call now to discuss your situation. It's never too late to do things well and 2017 can be better than 2016! If you mention this article receive a free consultation and a new client reward on all first year services. (952) 432-3140

'Everyone Has a Plan Until They Get Punched in the Mouth.' Are You Prepared?

A Business Coach Can Bring an Outsider's Perspective and Accountability to Reach Your Goals.



Vernon Stading, center, of Devoted Business Development and members of his Small Business Advisory Board of MN.

By **Vernon Stading**

Devoted Business Development

Growing up, I was a huge fan of Mike Tyson. He seemed to have it all at such an early age. His favorite saying was: "Everyone has a plan until they get punched in the mouth."

He probably didn't know how true that statement really was. You see, he was 18 years old and on top of the world. He had riches, fame, video games named after him and was the heavyweight champion of the world.

Little did he know that when he received his "punch in the mouth" outside the ring that he would be so ill prepared to navigate through his fame, fortune and missteps. This story is played out every day in the life of business owners as well.

Nearly every day, I help business owners who have been "punched in the mouth." I founded my business consult-

ing firm – Devoted Business Development – just for that occasion. We offer a wide variety of services, from executive for hire, organizational evaluation, marketing consulting, and business coaching.

Accountability/Coaching

The need for planning can never be overstated. What I have learned during my business coaching experiences is that you need more than a plan. You need the will and fortitude to follow the plan, keep moving forward, not get distracted by the next shiny thing, and to be held accountable for executing the plan.

It can be difficult for small business owners. There is no board of director or investors who can hold them accountable, which can make deadlines and goals squishy and flexible, especially when they are tired or discouraged.

Even if you know exactly what has to be done to improve your business or to make it work better, you might need someone to

talk to as you chart your next steps.

This is where the coaching part of what we do comes into play.

We help clients assess their plan's strengths and weaknesses. If necessary, we make revisions. If the plan is sound, we help them begin their journey so it conforms to their plan.

We also spend time with our clients to coach them through the unknown areas of their business.

Pretend that you are a great manager of a restaurant or bar and grill that is known for providing the best customer service. It's time, you think, to go out on your own.

All that managerial success, however, doesn't mean you have the skills and talents needed to be a successful business owner.

For example, do you automatically know how to market your own business?

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What tax prep do you need? How are you going to secure business financing? Should you be an LLC or a corporation? Who should you hire for payroll or book-keeping? Who will create your organizational chart? What processes and systems will you need to survive and thrive?

Based on our experience working with startups, most hadn't answered those questions. What Devoted Business Development does is coach them through the startup check list – step by step – to make sure the foundation is strong and will support growth.

Marketing Plan

Have you ever spent money on something that you couldn't really afford and immediately regretted it?

Sadly, this is what most businesses do in marketing and advertising. They spend money on the newest, latest and greatest trends or fads or get talked into some gimmick that "has worked for many other businesses" in the past. They hope that their return on investment will offset the money they just forked out. But "hope" isn't a marketing plan.

According to many studies, 80 percent to 90 percent of marketing and advertising provide little or no return on investment.

The reason is that most people don't take the time to define what their target market is, where to find them, and what marketing or advertising message will attract new customers. At Devoted Business Development, we are experts at defining this and so much more.

We help our clients create a marketing plan that will work and they provide coaching on how to execute that plan.

Call To Action

At Devoted Business Development, we help businesses achieve success by adding a few simple processes, systems and training tools. Regardless of what your business needs or struggles are, remember that "Your Business Challenges Are No Challenge For Us." You will be amazed at how much of a difference this can make in your origination and if you do it at startup, the cost is minimal. To find out more, please visit our website at www.devoted-business.com

Common Planning Problems

Having helped hundreds of businesses become more successful, we've found a set of common problems. Here are three that are found in most business, regardless of the industry or company size.

Spending Too Much. The first and most crucial mistake most businesses make is that they spend too much money on things that are non-essential or not needed at their stage of business.

Many of these expenditures can be delayed with no impact to the business. It's easy for owners to over spend based on optimistic revenue projections. The easiest way to fix this issue is to go old school and examine what revenue is actually coming and set your marketing budget at what that will support.

We make this one of our first priorities. Our clients expect results from us, and wasteful marketing is one of the most productive places to start. To date, we have never failed to help a client save on costs or make more money by scrutinizing the marketing plan.

Growing Too Fast. The second most common issue is growing too quickly. When that happens, the business plan is knocked off schedule. Revenue projections and expenses will be wrong, hiring schedules will be out of sync, office space needs will change, etc.

You need a Success Plan that considers an alternative course. The unexpected, even if it's great success, can kill your business quickly. In this case, growth will outstrip the ability of your funds and other resources to sustain it.

At a minimum, growing pains are a draining challenge for the business owner. What usually happens when the business expands and opens more locations or expands departments, the talent pool becomes weaker because they are stressed, have more responsibilities and have less support.

Most businesses fail in this growth phase because of lack of planning, wasted expenditures, and lack of adequate training. In many case, a simple assessment by us can determine whether they are ready to grow or not.

Poor Hiring Decisions. Most businesses fail to hire the right people for the right position at the right time. If you hire the wrong people, then you never reach the full productivity and potential the position requires. And you get turnover.

The cost of turning over an employee has been estimated anywhere between \$3,000 and \$10,000 per person. You shouldn't have to go through the cost of two hiring cycles, the lost productivity and stress just to find the right person.

If you hire the right person in the beginning, you can save all that time and money. This is an area we can dramatically help with.

Lastly, many businesses, as a function of growing too quickly or without a plan, also hire too quickly or too many employees at the wrong time and become labor heavy, which kills bottom-line profitability. In the end, this results in wasted labor dollars, productivity and time and causes a vicious cycle that is repeated.

Most owners need help getting out of this cycle.

Conclusion

No matter how smart and gifted even the best entrepreneurs may be, they all have blind spots. Business success is a team sport, even if you are a one-person shop. You will be more successful if you get help to see your business with fresh eyes and insights, allow yourself to be held accountable and open yourself to different ways of doing things.

NBM



Vernon Stading is the Owner, Founder, and CEO of both the Small Business Advisory Board and Devoted Business Development. He has dedicated his career and now his life to making small businesses more successful either through his consulting firm or his free service offerings of his Small Business Advisory Board of MN

*www.devoted-business.com
www.SmallbizAB.com*

It's True: Failing to Plan is Planning to Fail

Your Business Plan Is the First Real Test for Success. It's a Test You Need to Pass.

By Bob Voss

Dakota County Technical College

Most people who are thinking of starting a business intuitively know that business planning is something they should do, yet most people either don't do it or don't complete the plans they start.

Some find the process to hard, too long and too cumbersome. After years as a serial entrepreneur and teaching entrepreneurship at Dakota County Technical College, I've learned a thing or two about business plans. In fact I recently published a book containing those insights – 21 Question Business Plan™ – that I think dramatically helps to explain the process.

In 2012, more than 55,000 new businesses started in Minnesota. It is my opinion that less than 20 percent of these new business owners went through the planning process before they started their business. Just because someone knows they should do something (create a business plan) doesn't mean they will do it.

The purpose of this article is to convince you that business planning is really critical to new business success. So unless you're Steve Jobs or Bill Gates – neither of them had a business plan when they start – read on.

Let's look at the four specific reasons why creating a business plan most often leads to a successful outcomes. This is true whether you are planning your launch or have started already and decide to finally do your plan.

Reason #1 for creating a business plan: the process decreases failure rates in a big way. If you don't want your business to fail, then your probability of success increases by doing a business plan.

Failure rates for new businesses in the first year are in the neighborhood of 20 percent. National statistics show that after

five years about 50 percent of business were still standing or successfully concluded. It's a good guess that the survivors were more likely to have business plans.

In an article that appeared in Business Week Small Business titled "The Bottom Line on Startup Failures" (March 4, 2002) there was the following quote:

"Clearly business planning plays an integral part of success. We studied firms that had developed a business plan at the outset, and found that 85 percent were still in business after three years. I think that fact speaks for itself!"

No one starts a business with the expectation of failure, so if you want to really increase the chances of success, then you need to go through the entire business planning process as early in your business' life as possible.

Reason #2 for creating a business plan: you gain a deeper understanding on your chances for success.

I have taught a formal three-credit business plan class both in the classroom and online more than 39 times in the last 12 years.

In each class an interesting thing happens: about the third through the fifth week of class (normally this is an eight- to 10-week class) between 15 percent and 30 percent of the students change their business idea in some major way. In some cases they completely dump their business idea start a plan for a different business.

The first time this happened I was pretty amazed. But when it happened semester after semester, it really floored me.

For me, there is a direct correlation between people who change their business idea in some critical way during the planning process and first year business failures.

When they go through the process, something happens to their belief about the business idea. In some cases they gain confidence and knowledge that you are doing the



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to anticipate and handle certain challenges.

- **Critical Eye** -- Includes research and analysis of certain critical factors regarding a potential business or business opportunity. These factors include operational, legal, technical and financial ones. As a licensed attorney, I am especially concerned with structuring a proper legal foundation to provide liability protection, agreements with partners, etc.

- **Competitive Analysis** -- Explores and examines competitive issues head on, analyzes them and determines how to counter them. Entrepreneurs can be so infatuated with the idea of starting a business that they don't consider the players already in the market. Why be stuck on a clogged highway when the road less traveled can offer better opportunities?

- **Marketing Analysis** -- Surveys the intended market for both risks and opportunities, and how to reach that market through advertising or other means. The distillation of your value proposition and key words guides your designers and SEO providers with the right language to use when making a web site, brochures, post cards, etc.

- **Financial Projections** – Shows expected revenue and expenses, along with the projected bottom line. Many entrepreneurs enjoy the freedom of being their own boss so much that they don't always pay close attention to their numbers. It is important to be optimistic and have a positive attitude, but not to the point where you don't see the

glasses that cover up important financial realities.

- **Bankability** -- Helps you obtain funding from banks, venture capitalists, or other lenders. Such institutions will typically demand to see a plan before they decide to provide you start up or expansion money. They want to know how you plan on paying them back. Potential partners, angel investor of venture capital groups want to know, too. By enhancing the predictability of your business, a good plan improves your credibility.

The Collaborator

Building a business plan is a collaborative effort. The extremes are the do-it-yourselfers who often leave the plan unfinished because he or she is overwhelmed, and the passive owner who just accepts a plan out of the box, whether it fits or not. The balanced position between these extremes is a collaborative process between a business owner and a planning professional. The creation of good plan requires an interactive effort. That's why people like me exist, someone who can help you see the big picture and design a plan that's customized to fit your individual goals and needs. It is like several counseling sessions where I ask questions and help you craft the answers to drive your particular business toward the success you are seeking.

We are fortunate to live in a free enterprise society. Many have gone before us, so we are not venturing into uncharted waters. The basic schemas for planning a business have already been mapped. A business planning expert is one who can apply this inher-

ited wisdom to your unique endeavor. You are not inventing the idea of a business, you are adapting your idea to a proven formula.

I'm especially interested in exploring how general ideas work in practical situations. I am fascinated by how organizations work and how things get done. This curiosity has led me to a variety of endeavors, from running a video production business to serving as an in-house counsel for Fortune 500 companies. I've been on the board of a non-profit radio station and headed my local district council in St. Paul. During law school I managed an organic food warehouse. The single biggest lesson I have learned from all of these endeavors is that all organizations operate according to the same principles. It doesn't matter whether it is a big corporation, a mom and pop business, or a non-profit organization.

These principles are not set in stone; they are flexible. That's why they can be adjusted to your individual business to create a robust plan that works, one that sets you on the right track, helps you avoid predictable problems, and leads you to success.

Getting Started

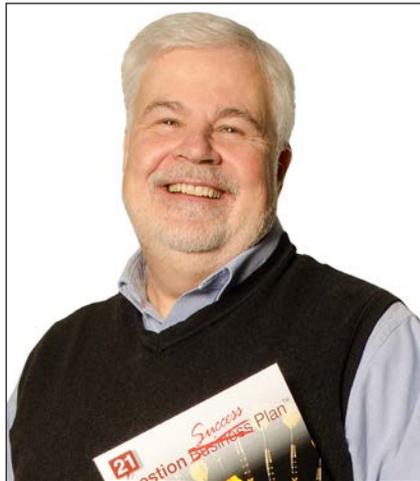
I look forward to working with you and your business, to meet with you, talk with you, and discover what's special about your endeavor. I am always baffled when people say, "I'm not ready to do a business plan." My mind tells me the exact opposite: "It is always the right time to plan." It is never too early or too late to get started.

But one thing is for sure. Once you have a functional business plan, you will wonder how you ever survived without it.

NBM

Bob Voss is a Business Entrepreneur Instructor at Dakota County Technical College. He has been teaching new entrepreneurs the basics of business for more than 10 years and is the author of the newly published 21 Question Business Plan™. He can be reached at (651) 423-8356 or bob.voss@dctc.edu.

For more information on DCTC's Entrepreneurship and Small Business Operations certificate offerings, visit www.dctc.edu



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