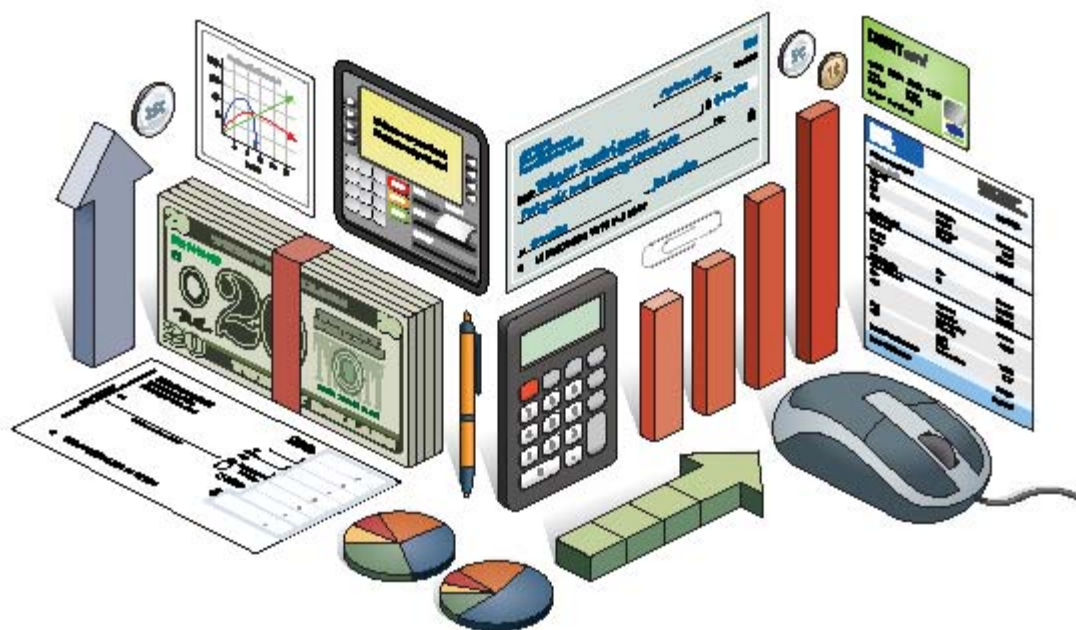




Hands on Banking[®]

ADULTS INSTRUCTOR GUIDE



Money Skills You Need For Life

A program by



Version 4.0

TOPIC 9 – GROWING A SMALL BUSINESS

WELCOME TO WELLS FARGO'S HANDS ON BANKING® PROGRAM!

This fun, interactive, and engaging financial education program is designed for both self-paced, individual learning and group use. These Instructor Guides will help you share this valuable program with groups of any size.

In these guides, you'll find everything you need to lead participants through real-life scenarios, group discussions, and activities that will encourage them to apply these lessons to their daily lives.

By sharing *Hands on Banking* with others, you'll help them to take control of their finances and build a brighter financial future.

Program Overview

Hands on Banking covers all the basics of smart money management. The curriculum is designed for four age groups: Adults, Young Adults (ages 15-21), Teens (grades 6-8), and Kids (grades 4 and 5).

Hands on Banking is an easy and enjoyable way to teach and learn the essentials of financial education: the basics of bank services, the importance of saving, smart money management, using credit responsibly, investing, wealth building, and more. Whether it's opening a checking account, avoiding identity theft, paying for college, buying a home, or starting a small business, *Hands on Banking* provides real-world skills and knowledge everyone can use.

Using the Instructor Guides

The Instructor Guides can be used alone or as an adjunct to the online/CD-ROM program; however, we strongly encourage you to review the program online or request a free CD-ROM. Even if participants will not experience the program online, gaining familiarity with the online program will help you present it more effectively. The most up to date content can always be found online at www.handsonbanking.org.

Each topic in *Hands on Banking* has its own Instructor Guide which follows the organization of the online program and includes much of the same content. The Adults version of the *Hands on Banking* program includes nine topics:

1. Basics of Bank Services
2. Money Management Tools and Tips
3. Protect Yourself Financially
4. Using Credit to Your Advantage
5. Planning Your Future
6. Buying a Home
7. Starting a Small Business
8. Managing a Small Business
9. Growing a Small Business

Each Instructor Guide includes:

- A glossary of all the relevant terms introduced in the topic
- A lesson introduction which includes:
 - An overview
 - Learning objectives
 - Sample discussion questions to start the lesson
 - "The Basics"—a list of bullet points outlining the key concepts of the lesson
- A lesson summary of all the key concepts of the lesson
- Activities, quizzes, discussion questions, handouts and important tips for key concepts
- A topic summary that lists all the major concepts of the topic
- Additional activities designed to extend the concepts presented in the topic to the real world
- A Library Resource section that includes additional reference materials and handouts

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LESSON CONCEPTS AND ICONS

Each lesson of a topic will present several key concepts. These concepts are introduced to your participants in a variety of ways which are represented in the guides by these icons.



Activity

An activity usually involves some sort of class participation, whether it is a matching game, a fill in the blank exercise, or worksheet completion. Typically after an activity you will have the opportunity to lead a discussion.



Discussion

Discussions allow you to introduce key concepts while involving your participants in the conversation and making the information relevant to them. In some places, sample discussion questions are included to help you guide the discussion.



Quiz

Throughout all the topics, there are short quizzes designed to start discussions or quickly test participants' knowledge of certain concepts.



Handout

All of the Instructor Guides include handouts that are designed as a resource for your participants to use outside the classroom in their daily lives. For example, one handout includes a list of web links for participants to use as they start, grow and manage their small business.



Activity and Discussion Handouts

Sometimes during a lesson, an activity or discussion will also use a handout to teach key concepts. In these cases the Handout icon is placed below the Activity or Discussion icon.



Transition

The Transition icon will let you know when the next concept is related to or follows up on the concept you're presently discussing or covering with your participants.



Library Articles

The online/CD-ROM version of *Hands on Banking* includes a vast library with relevant articles, checklists, and worksheets for each topic and lesson.

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Relevant library articles are recommended at the end of each lesson. These articles provide additional information to use in teaching key concepts (look for the library icon as seen above). We encourage you to review the full library selection online or on the CD-ROM. Feel free to enrich your sessions with additional articles from the library.

You can photocopy these articles and distribute them to participants to start a discussion, or you may want to give them away as handouts for participants to read on their own time. These library articles expand the topic content.

Pre-and Post-tests for Adults and Young Adults

When you use the Adults and/or Young Adult courses with a group or in a classroom setting, we invite you to use the *Hands on Banking* pre and post test we've developed. They can be accessed in the "Instructional Resources" section of handsonbanking.org.

- The Pre-test will help you to determine what topics to emphasize with your group.
- The Post-test will help you assess participants' progress.

We'd like to request that you report the anonymous results of these tests to our *Hands on Banking* team. Your input will help us to continue to improve the program.

How to Access the Interactive Program

Hands on Banking is available free of charge in both English and Spanish.

- On the Web at www.handsonbanking.org and www.elfuturoentusmanos.org.
- Available for free on CD-ROM—all four age groups are included.
- You may order a CD at HOB_CD@wellsfargo.com. There is no charge for small quantities of the CD-ROM. Please email for information regarding high-volume requests. Allow two weeks for delivery.

ONCE AGAIN, THANK YOU!

Thank you for sharing these valuable financial education programs with students and adults in our communities. As an instructor, your training and guidance will provide others with the knowledge and skills they need for a brighter financial future.

We welcome your comments and suggestions for future versions of the *Hands on Banking* curriculum and the Instructor Guides. And, we would very much like to hear your success stories. Please contact us via email at HOBinfo@wellsfargo.com.

TOPIC 9 – GROWING A SMALL BUSINESS

GROWING A SMALL BUSINESS

TOPIC OVERVIEW

Successful businesses go through four stages, from start to transition. In this topic, participants will learn how to succeed at each stage by getting financing, maximizing cash flow, increasing sales, and positioning themselves for retirement.

This topic includes five lessons:

1. The successful business lifecycle
2. Financing your growth
3. Creating a marketing strategy
4. Getting good advice
5. Selling or transitioning
6. Recap

These lessons include a number of hands-on participant activities. Use these activities to help simulate real-world scenarios and activities with your participants.

This instructor guide is based on and follows the structure of the online Hands on Banking® program. We invite you to use and experience the online program as it is an excellent resource that will support your instructional efforts and enhance your participants' experience. It includes a variety of interactive lessons and many helpful resource library articles to augment this guide. Visit www.handsonbanking.org to access the program. Should you require a CD ROM to access the program you may request a free copy at HOBCD@wellsfargo.com.

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GLOSSARY

Instructor note:

The Glossary contains definitions and descriptions of valuable terms and phrases related to this topic. Encourage your participants to use the Glossary during and after the class to become more familiar and comfortable with the terminology.

Photocopy the glossary on the next page and hand it out to your participants.

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GLOSSARY

Capital	The assets a borrower owns, for example a car, or cash in a savings account minus your liabilities. If a borrower is unable to make his or her loan payments, a lender might use these assets to pay the debt. Capital is also known as collateral or assets.
Collateral	Any assets of a borrower (for example, a home) that a lender has a right to take ownership of if the borrower doesn't repay the loan as agreed.
Corporation	A type of business where prospective shareholders exchange money, property or both, for the corporation's capital stock.
Incorporated	When a company incorporates it means that the business is now legally a separate entity from its owners. This may limit potential personal liability.
Maturity	The length (time) of the loan terms.
Personal guarantee/ guaranty	When a business owner gets a loan for his or her company, and makes a promise that legally requires him or her to repay the debt if the business fails to do so.
Public relations	This means a business' efforts to maintain a positive public image. Often conducted through various media channels.
Return on investment (ROI)	The income that an investment produces for the investor.
Succession planning	Process of planning the transition of ownership and management of a company to new owners and/or family members.

TOPIC 9 – GROWING A SMALL BUSINESS

LESSON 1: THE SUCCESSFUL BUSINESS LIFECYCLE

In this lesson, participants will learn how to balance their finances and time as they move through the four typical stages of a successful small business.

Learning Objectives

After completing this lesson, participants will be able to:

- List and define the four stages of the business life cycle
- Explain the typical challenges of balancing their personal and business finances over time
- Relate this information to their own business growth

Start the Discussion

To start a discussion with your participants, ask some open-ended questions. Here are some examples you could use:

- What different stages has your business gone through after it opened its doors?
- How do you handle your personal and business finances in a small business? Do you mix the two? Keep them separate? Why or why not?
- How much risk do you think you can handle during the early years of your small business? The middle years? The later years?

The Basics

- Every business typically goes through a four-stage life cycle. The four stages are: start up, growth, maturity and transition.
- Balancing your personal and business finances can be challenging.

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The Four Stages

Instructor note:

Photocopy the activity handout on the following page. Start a discussion by asking questions such as:

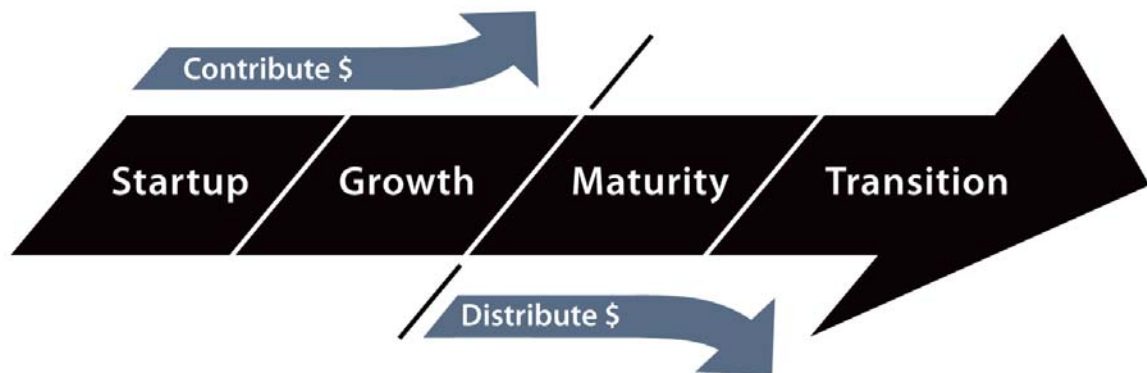
- *"What are the four stages of the business lifecycle?"*
- *"What happens during each of these phases?"*
- *"What phase of the business lifecycle is your business in right now? What challenges are you facing?"*

Then distribute the activity handout and continue the discussion using the diagram and key points listed below.

Most successful businesses go through four stages:

1. Start up
2. Growth
3. Maturity
4. Transition

Successful business lifecycle



During the start up and growth stages, the owner typically **contributes capital**.

During the maturity and transition stages, the owner usually **draws out capital**.

As a business grows, nearly every small business owner faces what might be called the "financial balancing act."

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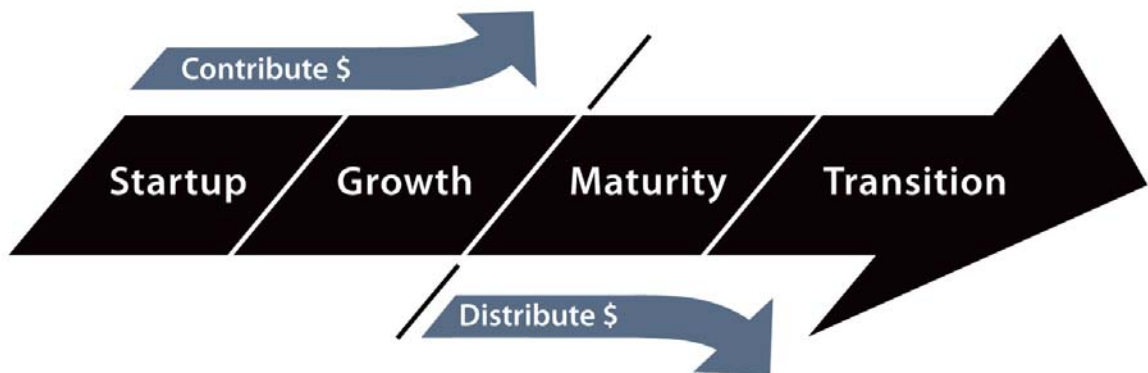


The Four Stages

Most successful businesses go through four stages:

1. Start up
2. Growth
3. Maturity
4. Transition

Successful business lifecycle



Notes or questions:

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The Financial Balancing Act Activity (Instructor Copy)

Instructor note:

Photocopy the activity handout on the following page. Introduce the topic by mentioning the first three key points. For each of the three sections (Early years, later years and balance point), ask your participants to brainstorm and write examples of what can happen to their personal and business finances, as well as the risks involved for each time frame. For example, you may ask these types of questions to get the discussion started. "What is going on financially with your business during the early years? Are you taking a salary?"

Then, ask participants to draw an arrow on each graph that represents business performance during the early years, later years and balance point.

Key Points

1. Balancing your business and personal finances is challenging.
2. Think about the things you want to accomplish and enjoy (besides your business!).
3. If you overstretch your personal finances to support your business, or mix your personal and business finances inappropriately, you may expose yourself to personal financial liability and loss.

Early Years	Later Years	Balance Point
<ul style="list-style-type: none"> You work hard to successfully establish your business Devoting time, effort, and financial resources May take a tiny salary, Borrow against your personal credit Working long hours Major risk is you can overextend yourself financially. 	<ul style="list-style-type: none"> Your business generates cash flow You are profitable and the business can support you Major risk: if you draw out too much, it can hamper your ability to grow, leaving reserves too low to handle challenges and downturns. 	<ul style="list-style-type: none"> As your business matures, think about the time and effort you continue to invest. To what extent do you want to remain personally involved in your business over the long-run.? Are you getting a good return on investment (ROI) of time and effort?
<p>Business Performance</p> <p>Y-axis: \$, \$\$, \$\$\$, \$\$\$\$ X-axis: Years (0, 4, 8, 12, 16, 20)</p>	<p>Business Performance</p> <p>Y-axis: \$, \$\$, \$\$\$, \$\$\$\$ X-axis: Years (0, 4, 8, 12, 16, 20)</p>	<p>Business Performance</p> <p>Y-axis: \$, \$\$, \$\$\$, \$\$\$\$ X-axis: Years (0, 4, 8, 12, 16, 20)</p>



There are no simple answers for achieving the right balance. In the early years, consider how much financial risk you can afford to take; in the later years, quantify the amount you want to draw out to meet your wealth building goals – without putting the future of the business at risk.

TOPIC 9 – GROWING A SMALL BUSINESS



The Financial Balancing Act Activity

Instructions:

Fill what is going on with you and your personal and business finances during each of the three time periods below. For example, in the early years you may work long hours to try to break even. In addition, list the major risk for the early and later years. Finally, on the three graphs below, draw an arrow that represents business performance during each stage.

Early Years	Later Years	Balance Point
<ul style="list-style-type: none"> You work hard to successfully establish your business Devoting time, effort, and financial resources May take a tiny salary, Borrow against your personal credit Working long hours Major risk is you can overextend yourself financially. 	<ul style="list-style-type: none"> Your business generates cash flow You are profitable and the business can support you Major risk: if you draw out too much, it can hamper your ability to grow, leaving reserves too low to handle challenges and downturns. 	<ul style="list-style-type: none"> As your business matures, think about the time and effort you continue to invest. To what extent do you want to remain personally involved in your business over the long-run.? Are you getting a good return on investment (ROI) of time and effort?



There are no simple answers for achieving the right balance. In the early years, consider how much financial risk you can afford to take; in the later years, quantify the amount you want to draw out to meet your wealth building goals – without putting the future of the business at risk.

TOPIC 9 – GROWING A SMALL BUSINESS

LESSON SUMMARY

Instructor note:

Summarize this lesson by reviewing these key points with your participants.

Remember these key points from the Successful Business Lifecycle lesson:

- Every business typically goes through a four-stage life cycle. The four stages are: start up, growth, maturity and transition.
- Balancing your personal and business finances can be challenging.

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LESSON 2: FINANCING YOUR GROWTH

In this lesson, participants will learn how to maximize their cash flow. They will also learn how what factors to consider before they borrow for their business. Finally, they will learn what kind of credit lenders offer and what these lenders will need to see.

Learning Objectives

After completing this lesson, participants will be able to:

- List tips to help them maximize cash flow
- Lists their options and needs before borrowing money for the small business
- Define the three types of business credit
- Define the loans and lines of credit
- Identify what items a lender will want to see when they apply for business credit

Start the Discussion

To start a discussion with your participants, ask some open-ended questions. Here are some examples you could use:

- Define cash flow. Why is it so important to your small business?
- What options do you have before you have to borrow money for your business?
- What types of loans or lines of credit do you have in current business? What do you use them for?

The Basics

- The *process* of borrowing money for your business is similar to borrowing for yourself. However, the *reasons* can be different.
- Borrowing money for your business can help you expand or improve your business and its profitability.
- Having business credit can definitely be helpful, but remember: you'll pay a price in interest.
- If your business has good cash flow, you may not need to borrow as much or as often.
- Lenders or investors will want to see a detailed business plan when you apply for a loan.

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The Money You Need Activity (Instructor Copy)

Instructor note:

Photocopy the activity handout on the following page. Instruct participants to match the tips with the general description or situation listed in the right column.

Follow these tips to help maximize your cash flow.

Instructions:

Have your participants read each description in the right column and decide which tip matches with each description.

Word Bank:

Improve your cash tracking
 Invoice and collect promptly
 Lower prices selectively

Lower your overhead
 Work with reliable vendors

Tips for maximizing cash flow	
Lower your overhead	<ul style="list-style-type: none"> • Look for ways to lower your overhead. • Shop for better pricing on what you buy. • Cut back on non-essentials.
Work with reliable vendors	<ul style="list-style-type: none"> • Work with reliable vendors that deliver quality merchandise on time. • If a shipment is late or of poor quality, you miss opportunities to sell your inventory and bring in cash.
Lower prices selectively	<ul style="list-style-type: none"> • When necessary, lower prices when items don't sell. • You'll be able to recover your cash and put it into products that will sell more quickly.
Improve your cash tracking	<ul style="list-style-type: none"> • Create a monthly cash flow chart that shows when cash may come in or go out. This will help you anticipate possible cash shortages. • Streamline your bill collection process so that you get paid more quickly whenever possible. That way, you'll have your own cash to work with, rather than paying interest on borrowed money. • Double-check your bookkeeping to avoid fraud and overpayments.
Invoice and collect promptly	<ul style="list-style-type: none"> • Invoice and collect promptly from your customers. Consider having a 14-day payment cycle rather than a 30-day payment cycle. • Be sure that your invoices permit you to charge interest for late payments. • Be careful to track accounts for prompt payment. • When you extend credit, you lose access to cash and the interest it may generate if invested. • Follow past-due accounts closely. The more overdue an invoice is, the less likely you are to collect it.

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The Money You Need Activity

Follow these tips to help maximize your cash flow.

Instructions:

Read each description in the right column. Decide which tip matches with each description.

Word Bank:

Improve your cash tracking
 Invoice and collect promptly
 Lower prices selectively

Lower your overhead
 Work with reliable vendors

Tips for maximizing cash flow	
	<ul style="list-style-type: none"> • Shop for better pricing on what you buy. • Cut back on non-essentials.
	<ul style="list-style-type: none"> • Work with these people who deliver quality merchandise on time. • If a shipment is late or of poor quality, you miss opportunities to sell your inventory and bring in cash.
	<ul style="list-style-type: none"> • When necessary, change things up when items don't sell. • You'll be able to recover your cash and put it into products that will sell more quickly.
	<ul style="list-style-type: none"> • Create a monthly cash flow chart that shows when cash may come in or go out. This will help you anticipate possible cash shortages. • Streamline your bill collection process so that you get paid more quickly whenever possible. That way, you'll have your own cash to work with, rather than paying interest on borrowed money. • Double-check your bookkeeping to avoid fraud and overpayments.
	<ul style="list-style-type: none"> • Get paid promptly from your customers. Consider having a 14-day payment cycle rather than a 30-day payment cycle. • Be sure that you can charge interest for late payments. • Be careful to track accounts for prompt payment. • When you extend credit, you lose access to cash and the interest it may generate if invested. • Follow past-due accounts closely. The more overdue a payment is, the less likely you are to collect it.

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Instructor note:

At this point in the class, consider using this recommended library article listed below as a discussion resource or a takeaway for your participants. You can find this and other library articles at the end of this topic.

Recommended Articles: Create a Business Budget and Maximize Cash Flow

Remember, the online Hands on Banking® program has dozens of additional library articles that you can use and distribute for this and other topics. Visit www.handsonbanking.org to browse all the available articles.

TOPIC 9 – GROWING A SMALL BUSINESS



Deciding Whether to Borrow (Instructor Copy)

Instructor note:

Photocopy the activity handout on the following page. Divide the class into small groups. Begin the discussion by reminding participants to consider their needs and options before borrowing any money. Then, ask them to write down a list of specific things they should consider before borrowing money. When they finish, have groups present their comments for discussion. Then hand out the activity handout and discuss these key points and compare to what the groups have presented

If you're thinking about borrowing money for your small business, consider your needs and options first.

Would better cash flow handle it?	<ul style="list-style-type: none"> • Determine whether you can improve your cash flow instead of getting a loan. • Can you get more cash by improving the efficiency of your collections (in other words, how fast your customers pay you)? • Could you switch to a just-in-time inventory system so that your money isn't tied up in inventory that's not needed now?
Create a cash flow projection	<ul style="list-style-type: none"> • Study your financial situation. • Create reports that represent your best-guess of future results (use past results as your guide). • One key example is a cash flow projection. If you approach a bank to borrow money, they'll probably want to see your cash flow projection and your business plan.
Consider the risks	<ul style="list-style-type: none"> • You will probably need to sign a personal guaranty if you apply for business credit. • This means that if your business is unable to repay the loan, you are legally responsible to do so. If you can't, there will be negative consequences for both your business and your own personal credit. • Before signing a loan agreement, make sure you understand the terms: interest rate, maturity (the length of the loan) collateral requirements, and the amount the bank is willing to lend. • Consider getting legal advice. Be sure that you clearly understand what your business – and you personally – are agreeing to.
Look ahead financially	<ul style="list-style-type: none"> • Consider the future ups and downs of your business and how these will impact your finances. • Through proper planning, watching your expenses, and collecting the money that's owed you more quickly, you can shorten the periods of time that are financially challenging.

TOPIC 9 – GROWING A SMALL BUSINESS



Deciding Whether to Borrow

If you're thinking about borrowing money for your small business, consider your needs and options first.

Would better cash flow handle it?	<ul style="list-style-type: none">• Determine whether you can improve your cash flow instead of getting a loan.• Can you get more cash by improving the efficiency of your collections (in other words, how fast your customers pay you)?• Could you switch to a just-in-time inventory system so that your money isn't tied up in inventory that's not needed now?
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Three Types of Small Business Credit Activity (Instructor Copy)

Instructor note:

Photocopy the activity handout on the following page. Begin your discussion by asking participants to identify sources of credit for small business owners. Then distribute the activity handout to the participants and have them write a definition or example for each of the three types of small business credit.

Instructions:

For each type of small business credit, have participants list a definition and an example.

Secured Credit	Unsecured Credit	SBA Credit
<p>“Secured” credit means that the lender knows you have the assets, or collateral, available to repay them.</p> <p>For example, to qualify for \$1,000 of secured credit, you would need to provide the bank with proof that you have \$1,000, either in cash or another acceptable form, such as equipment or investments.</p>	<p>A loan that is not backed by collateral (such as cash or property) of the borrower.</p>	<p>Loans or credit lines from the U.S. Small Business Administration (SBA).</p> <p>To qualify for most SBA credit, your business should have a good credit history and show the capacity to repay.</p> <p>For most SBA loan programs, you apply to a financial institution, but the SBA helps you, the business owner, by guaranteeing to repay the lender a certain percentage of the loan amount if you were unable to.</p> <p>Your business may be able to borrow a higher amount or receive a better interest rate than you would without an SBA guarantee.</p>



Lenders make an investment in you and your business. It can be helpful to work with a lender who is familiar with your type of business.

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Three Types of Small Business Credit Activity

Instructions:

For each type of small business credit, write a definition and an example.

Secured Credit	Unsecured Credit	SBA Credit



Lenders make an investment in you and your business. It can be helpful to work with a lender who is familiar with your type of business.

TOPIC 9 – GROWING A SMALL BUSINESS



Loans vs. Lines Activity (Instructor Copy)

Instructor note:

Photocopy the activity handout on the following page. Instruct your participants to identify whether the characteristic listed in the left column describes a loan or a line of credit.

Instructions:

Have your participants read each characteristic and decide whether each characteristic is describing a **loan** or **line of credit**. Have them write in loan or line of credit in the right column.

Characteristics	Loan or Line of Credit?
Helpful for managing cash flow and is a flexible way to borrow money at any time	Line of credit
Lender may ask you for documentation to confirm the cost of what you intend to buy	Loan
You pay back at least a minimum amount every month	Line of credit
The bank agrees to lend you up to a certain amount on an ongoing basis	Line of credit
You borrow a certain amount of money from a lender and agree to repay it with interest over a certain period of time	Loan
Typically used to make large, one-time purchases	Loan
You can use as much as you need (up to your limit)	Line of credit
You pay interest only on the amount you borrow	Line of credit

TOPIC 9 – GROWING A SMALL BUSINESS



Loans vs. Lines Activity

Instructions:

Read each characteristic. Decide whether each characteristic is describing a **loan** or **line of credit**. Write in loan or line of credit in the right column.

Characteristics	Loan or Line of Credit?
Helpful for managing cash flow and is a flexible way to borrow money at any time	
Lender may ask you for documentation to confirm the cost of what you intend to buy	
You pay back at least a minimum amount every month	
The bank agrees to lend you up to a certain amount on an ongoing basis	
You borrow a certain amount of money from a lender and agree to repay it with interest over a certain period of time	
Typically used to make large, one-time purchases	
You can use as much as you need (up to your limit)	
You pay interest only on the amount you borrow	

TOPIC 9 – GROWING A SMALL BUSINESS



What Lenders Want to See Activity (Instructor Copy)

Instructor note:

Photocopy the activity handout on the following page. Instruct your participants to match each phrase with its correct description.

Any lender or smart investor will likely want to see these things when you apply for a business loan.

Instructions:

Have your participants use the phrases from the Word Bank and match them with the correct description.

Word Bank

- A detailed business plan
- A sound record-keeping system
- A strong credit history

- A team of advisors or unpaid Board of Directors
- Other sources of repayment
- Your own personal investment

What Lenders Want	Description
A detailed business plan	<ul style="list-style-type: none"> • This shows the lender that you’ve carefully thought through all aspects of your venture. • Be prepared to show financial projections that show expected revenues vs. costs.
Your own personal investment	<ul style="list-style-type: none"> • A lender will have greater confidence in your commitment to succeed when they know you have your own money invested. • Many lenders often require this.
Other sources of repayment	<ul style="list-style-type: none"> • Lenders typically want borrowers to have assets that, in case of an emergency, they could sell in order to repay the loan.
A strong credit history	<ul style="list-style-type: none"> • Every time you borrow money and keep your promise to pay it back, you’re proving to lenders that you keep your promises. • By showing them that you’re trustworthy, you strengthen your ability to borrow again the next time. • Your credit history often holds the key that opens the door to capital funding.
A sound record-keeping system	<ul style="list-style-type: none"> • Lenders won’t lend money to a business that doesn’t keep comprehensive, up-to-date records. • A business can’t manage what it doesn’t measure. • Good recordkeeping is at the foundation for your company’s future success.
A team of advisors or unpaid Board of Directors	<ul style="list-style-type: none"> • Businesses structured as corporations are legally required to have a Board of Directors. • This is an excellent, no-cost way to gather a circle of expertise around you and your enterprise. • There may be many individuals who would gladly volunteer occasional time to advise you.



If you apply for a bank loan during your business start-up and growth phases, realize that you’re not simply asking for money – in reality, you’re asking the lender to invest in you and your business.

TOPIC 9 – GROWING A SMALL BUSINESS



What Lenders Want to See

Any lender or smart investor will likely want to see these things when you apply for a business loan.

Instructions:

Use the phrases from the Word Bank and match them with the correct description.

Word Bank

A detailed business plan

A sound record-keeping system

A strong credit history

A team of advisors or unpaid Board of Directors

Other sources of repayment

Your own personal investment

What Lenders Want	Description
	<ul style="list-style-type: none"> This shows the lender that you've carefully thought through all aspects of your venture. Be prepared to show financial projections that show expected revenues vs. costs.
	<ul style="list-style-type: none"> A lender will have greater confidence in your commitment to succeed when they know you have this. Many lenders often require this.
	<ul style="list-style-type: none"> Lenders typically want borrowers to have these.
	<ul style="list-style-type: none"> Every time you borrow money and keep your promise to pay it back, you're proving to lenders that you keep your promises. By showing them that you're trustworthy, you strengthen your ability to borrow again the next time. This often holds the key that opens the door to capital funding.
	<ul style="list-style-type: none"> Lenders won't lend money to a business that doesn't have this. A business can't manage what it doesn't measure. This is at the foundation for your company's future success.
	<ul style="list-style-type: none"> Businesses structured as corporations are legally required to have these This is an excellent, no-cost way to gather a circle of expertise around you and your enterprise. There may be many individuals who would gladly volunteer occasional time to advise you.



If you apply for a bank loan during your business start-up and growth phases, realize that you're not simply asking for money – in reality, you're asking the lender to invest in you and your business.

TOPIC 9 – GROWING A SMALL BUSINESS

LESSON SUMMARY

Instructor note:

Summarize this lesson by reviewing these key points with your participants.

Key points from the Financing Your Growth lesson:

- The *process* of borrowing money for your business is similar to borrowing for yourself. However, the *reasons* can be different.
- Borrowing money for your business can help you expand or improve your business and its profitability.
- Having business credit can definitely be helpful, but remember: you'll pay a price in interest.
- If your business has good cash flow, you may not need to borrow as much or as often.
- Lenders or investors will want to see a detailed business plan when you apply for a loan.

TOPIC 9 – GROWING A SMALL BUSINESS



Instructor note:

At this point in the class, consider using this recommended library article listed below as a discussion resource or a takeaway for your participants. You can find this and other library articles at the end of this topic.

Recommended Article: Applying for Business Credit

Remember, the online Hands on Banking® program has dozens of additional library articles that you can use and distribute for this and other topics. Visit www.handsonbanking.org to browse all the available articles.

TOPIC 9 – GROWING A SMALL BUSINESS

LESSON 3: CREATING A MARKETING STRATEGY

In this lesson, participants will learn the valuable fundamentals of gaining and retaining customers; creating a customer database, and other marketing tips and techniques.

Learning Objectives

After completing this lesson, participants will be able to:

- Explain the valuable fundamentals of gaining and retaining customers
- List the benefits of creating a customer database
- Research their market
- Use low cost tactics as a marketing strategy
- Use public relations as a possible way to increase sales

Start the Discussion

To start a discussion with your participants, ask some open-ended questions. Here are some examples you could use:

- What kinds of marketing do the small businesses in your community use?
- What kinds of marketing do you use? What tactics have been successful?
- Which marketing tactics do you think are the most successful?
- Can you name so marketing strategies that aren't "traditional" strategies? Why do you think these will work?
- What are the consequences of not having a marketing strategy?

The Basics

- Marketing is everything a business does to gain customers and to keep customers over time.
- Marketing is such a critical element of any small business—no customers, no business.
- Marketing tactics may include advertising, public relations, customer communications, special sale pricing, etc.
- Good marketing strategy always starts with understanding your customers and prospective customers – who they are and what they're looking for.
- A customer database can be a fantastic tool to help you market your business successfully.

TOPIC 9 – GROWING A SMALL BUSINESS



Create a Customer Database (Instructor Copy)

Instructor note:

Photocopy the activity handout on the following page. Start a discussion by asking questions, such as:

- "What is a customer database and how do you think it's used?"
- "What are uses for a customer database other than keeping track of customer information?"
- "How can you use a customer database to grow your business?"

Then, distribute the activity handout and continue your discussion using the key points below.

Here are some tips for how to create a customer database that will help your business grow. A practical, simple, and flexible database comes from people who understand the importance of gathering information, who think ahead about how the data will be used, and who are dedicated to keeping the information up-to-date—not a computer.

Consider all the uses	<ul style="list-style-type: none"> • Consider what each person in your company wants to do with the information. For example, will you need a phone list of your customers? A report of which customers bought which products? • Based on how you will use the database, create and add fields to track information.
Decide who's in charge	<ul style="list-style-type: none"> • Everyone at your business should contribute information for the database. • Consider assigning just one person the responsibility of inputting, changing, or deleting information to the database. • This cuts down on duplicate records and information conflicts • If more than one person is inputting information, you need to create a category that tracks who made each entry.
Provide universal access	<ul style="list-style-type: none"> • While one person may be in charge of the database, everyone on staff should have access to looking at and using the information.
Design it in-house	<ul style="list-style-type: none"> • Consider hiring an outside consultant to help you create your database. • Have the person on your team who is going to be using it most participate in the design process. • Select the simplest software package that's flexible enough for your current and future needs. Be sure to get the software training you need.
Limit cross-referencing	<ul style="list-style-type: none"> • The more databases you create, the harder it is to cross-reference information. If a customer moves, you may have to change information on several separate databases. It's just not time- or cost-effective. • Set up just one database for tracking and marketing to your customers. Keep in mind that your accounting staff may need their own database for tracking vendors, bills, and payroll.
Include everyone	<ul style="list-style-type: none"> • The goal is to have your database constantly grow. Anyone who voices an interest in your business—by calling, coming in, requesting information, etc.—should be added to the database. • Keep adding new information and updates in a timely manner.
Security	<ul style="list-style-type: none"> • Consider security passwords for different levels of use (one for inputting information, one for designing screens, one for viewing confidential information, etc.). • This ensures confidentiality as needed, and prevents staff members who don't know how to use the system from making unintentional, but costly, mistakes.

TOPIC 9 – GROWING A SMALL BUSINESS



Create a Customer Database

Here are some tips for how to create a customer database that will help your business grow. A practical, simple, and flexible database comes from people who understand the importance of gathering information, who think ahead about how the data will be used, and who are dedicated to keeping the information up-to-date—not a computer.

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TOPIC 9 – GROWING A SMALL BUSINESS



Research Your Market Activity (Instructor Copy)

Instructor note:

Photocopy the activity handout on the following page. Begin a discussion by asking questions such as:

- "Has anyone ever conducted market research for your business?"
- "What results did you receive and were they helpful?"
- "What results surprised you the most and why?"

Then divide the class into groups, distribute the activity handout and instruct participants to complete the activity handout. When they're finished, have each group discuss their answers while you reinforce the key points below.

It pays to understand the market your business would like to reach, and it doesn't have to cost much.

Instructions:

Have your participants brainstorm answers to the questions listed below.

When should a business conduct research?	Two excellent situations are when: 1. You're considering launching a new product or service 2. You need to find new customers for an existing product or service.
Where do you find published research?	<ul style="list-style-type: none">• Ask at your local public library.• Look on the Web.• Visit Web sites for trade associations and government agencies related to your industry.
How can you conduct research on your own?	<ul style="list-style-type: none">• Create a questionnaire for customers, prospects, vendors, and suppliers. Ask: do you like our product or service? What are we doing right? What can we do better?• Go to industry meetings and trade shows. Ask questions.• Listen. Find out what your competitors are doing. Get a sense of what's happening in your industry, and what's helping others to succeed.
How can you make hiring a market research firm more affordable?	<ul style="list-style-type: none">• Find non-competing businesses that are in a business related to yours and propose sharing the expense of a research study.



Learn about your customers, competitors, and market by observing, listening, and asking questions. If you use an outside research firm, customers may be more willing to give honest feedback.

TOPIC 9 – GROWING A SMALL BUSINESS



Research Your Market Activity

It pays to understand the market your business would like to reach, and it doesn't have to cost much.

Instructions:

Brainstorm answers to the questions listed below.

When should a business conduct research?	
Where do you find published research?	
How can you conduct research on your own?	
How can you make hiring a market research firm more affordable?	



Learn about your customers, competitors, and market by observing, listening, and asking questions. If you use an outside research firm, customers may be more willing to give honest feedback.

TOPIC 9 – GROWING A SMALL BUSINESS



Use Low Cost Tactics Discussion

Instructor note:

Start a discussion by asking questions such as:

- *"What are some examples of low-cost marketing tactics that companies use?"*
- *"What is the most effective low-cost marketing tactic that you have seen or used?"*

Then, create a list of the tactics the group comes up with and discuss the key points below.

Effective marketing can be affordable. Here are examples of techniques used by a small retail store.

- **Give away free samples** of your products to customers who visit your store.
- **Produce your own catalogs and other marketing materials.** With today's technology – personal computers, software, and color printers – you can produce small quantities of professional-looking materials less expensively than ever before. If graphic design and marketing are not your strengths, look for reasonably priced vendors to assist you.
- **Use email promotions** – but only for loyal customers who have given you their permission to contact them. The people who know and like your products already are far more likely to read your emails and respond to them positively.
- **Mail thank-you cards to clients** shortly after they've purchased from you. These cards need not be expensive, but a warm and friendly, hand-signed note will help build customer loyalty.



There are many low-cost techniques for small businesses to increase customer interest. Check with your local business development center, the Web, and your local public library for ideas.

TOPIC 9 – GROWING A SMALL BUSINESS



Instructor note:

At this point in the class, consider using this recommended library article listed below as a discussion resource or a takeaway for your participants. You can find this and other library articles at the end of this topic.

Recommended Article: Conduct Low-Cost Marketing Research

Remember, the online Hands on Banking® program has dozens of additional library articles that you can use and distribute for this and other topics. Visit www.handsonbanking.org to browse all the available articles.

TOPIC 9 – GROWING A SMALL BUSINESS



Increase Sales with P.R. Quiz (Instructor Copy)

Instructor note:

Photocopy the activity handout on the following page. Instruct participants to read each question and select the best answer. When they are finished, discuss each key point.

Instructions:

Have your participants read these questions about public relations and press releases and select the best answer for each.

1. A well-written press release will:
 - a. Create a positive cash flow for your business
 - b. Attract positive attention for your small business**
 - c. Guarantee you an article in the local business journal

2. Public Relations (P.R.) means
 - a. A business' efforts to maintain a positive public image**
 - b. How a gets articles written about it in magazines
 - c. Is not the most important aspect in running a business

3. Public relations are often conducted:
 - a. Through the yellow pages
 - b. Through sales and promotions
 - c. Through the media**

4. Writing and distributing a press release — a thoughtfully prepared written statement—is the traditional way for businesses to communicate with the media.
 - a. True**
 - b. False

5. Target appropriate media/reporters/editors and:
 - a. Try to influence them with deals and freebies
 - b. Create a list of "negative" people
 - c. Build positive relationships with them**

TOPIC 9 – GROWING A SMALL BUSINESS



Increase Sales with P.R. Quiz

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Notes / Questions

TOPIC 9 – GROWING A SMALL BUSINESS



Press Release (Instructor Copy)

Instructor note:

Photocopy the activity handout on the following page. Ask your participants some questions to start the discussion, such as:

- *"Who has already written press releases for their business?"*
- *"Who helped you write the press release? Or did you do it yourself?"*
- *"What did you learn after writing your first press release?"*
- *"What are some elements of a well-written press release?"*
- *"In your opinion, what is the most important section of a press release?"*

Then use the handout to explain the different elements of a press release.

NEWS RELEASE from XYZ Products, Inc.

Date: The date of your release and the phrase "For immediate release"

Contact Info: Your name, phone number, email address

Headline: The most important, attention-grabbing, newsworthy idea

ANYTOWN, USA -- April 28, 2009

First Paragraph: Essential info; who, what, when, where, why

Further Info/Quote: Background or supporting info; optional first-person statement from key person/expert

Final paragraph: Brief summary of your company: location, type of business, who you serve, year founded

TOPIC 9 – GROWING A SMALL BUSINESS



Press Release

A well-written press release will attract positive attention for your small business.

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Final paragraph: Brief summary of your company: location, type of business, who you serve, year founded

TOPIC 9 – GROWING A SMALL BUSINESS



Sample Press Release Activity (Instructor Copy)

Instructor note:

Photocopy the activity handout on the following page. Reiterate the elements of the press release and then have participants create their own press release for their small business.

Instructions:

Have participants write their own press release.

NEWS RELEASE from XYZ Products, Inc.

April 28, 2009 – For Immediate Release

Information: Jordan Reynolds, (999) 888-7777, Ext. 123,
jreynolds@xyzproducts.com

**XYZ Products wins design award
for glow-in-the-dark umbrella**

ANYTOWN, USA – April 28, 2009

The glow-in-the dark umbrella developed by XYZ Products received the 2009 “Safety with Style” award at the Travel Products Association’s annual meeting on April 27 in Anytown, USA.

According to the judges, XYZ’s umbrella was selected as the best among the hundreds of entries based on its combination of practicality, crowd-pleasing appearance, and safety features. “In rainy weather, it’s almost always dark outside. Our umbrella alerts drivers to pedestrians,” said XYZ CEO Jane Xyzcinski.

XYZ Products, Inc., headquartered in Anytown, USA, is a manufacturer and distributor of unique travel accessories. Founded in 2002, XYZ products are sold in specialty retail shops and on the Web at www.xyzproducts.com.

Tip!

Distribute your press release at least two weeks in advance of an event. When writing, be accurate; focus on facts; don’t exaggerate. Consider hiring someone to assist you with P.R. strategy and implementation.

TOPIC 9 – GROWING A SMALL BUSINESS



Sample Press Release

Instructions:

Use this sample to help you write a press release for your small business.

NEWS RELEASE from XYZ Products, Inc.

April 28, 2009 – For Immediate Release

Information: Jordan Reynolds, (999) 888-7777, Ext. 123,
jreynolds@xyzproducts.com

XYZ Products wins design award for glow-in-the-dark umbrella

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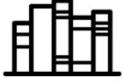
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TOPIC 9 – GROWING A SMALL BUSINESS



Instructor note:

At this point in the class, consider using this recommended library article listed below as a discussion resource or a takeaway for your participants. You can find this and other library articles at the end of this topic.

Recommended Article: Increase Sales with PR

Remember, the online Hands on Banking® program has dozens of additional library articles that you can use and distribute for this and other topics. Visit www.handsonbanking.org to browse all the available articles.

TOPIC 9 – GROWING A SMALL BUSINESS

LESSON SUMMARY

Instructor note:

Summarize this lesson by reviewing these key points with your participants.

Key points from the Creating a Marketing Strategy lesson:

- Marketing is everything a business does to gain customers and to keep customers over time.
- Marketing is such a critical element of any small business—no customers, no business.
- Marketing tactics may include advertising, public relations, customer communications, special sale pricing, etc.
- Good marketing strategy always starts with understanding your customers and prospective customers – who they are and what they’re looking for.
- A customer database can be a fantastic tool to help you market your business successfully.

TOPIC 9 – GROWING A SMALL BUSINESS

LESSON 4: GETTING GOOD ADVICE

In this lesson, participants will learn how other business owners, their banker and the SBA can help their small business.

Learning Objectives

After completing this lesson, participants will be able to:

- Use recommended resources for small business guidance
- Explain how other business owners, your banker, and the SBA can help you
- Use a list of resources to further their success

Start the Discussion

To start a discussion with your participants, ask some open-ended questions. Here are some examples you could use:

- In what ways do you think a banker can help you as a business advisor?
- What people you know could help you grow your small business?
- Think of someone who you may not know personally who may be able to help you grow your small business.
- Have you connected with your local SBA for any assistance? If so, what type?

The Basics

- A banker can be a real asset to growing your small business.
- The SBA can help you start, manage and grow your small business.
- Other business owners are excellent resources, especially those in your community or your industry.
- Joining a local business group or trade association can offer you many benefits.

TOPIC 9 – GROWING A SMALL BUSINESS



Talk to Your Banker

Instructor note:

Start a discussion with your participants by asking questions such as:

- *"Do you currently have a business banker?"*
- *"What types of specialized services or programs do you think banks offer small business owners?"*
- *"In what ways have you taken advantage of business bankers?"*

Then continue the discussion by focusing on the key points below. Also consider inviting a business banker to come and talk to the class. As a follow-up to this discussion you may also consider advising your participants to talk with a banker.

Most banks have employees who specialize in helping business customers.

- You can ask them about specific products and services.
- You can also talk to them about your business — what you've accomplished, and what you're trying to achieve.

Your business banker can be a real asset.

- He or she could become a trusted advisor who can help you save time and money, take advantage of new opportunities, and reach your business goals.

Check with your bank to see what they offer.

- Some larger banks have special departments and services for groups of business owners: for example, women, Hispanics, Asians, and African-Americans.

Most business bankers have worked with dozens, if not hundreds, of small businesses similar to yours.

- Since you're a customer of the bank, the bank wants you to succeed.
- The more they know about you and your business, the better they can advise and assist you.

TOPIC 9 – GROWING A SMALL BUSINESS



How the SBA Can Help You

Instructor note:

Start a discussion with your participants about the SBA by asking questions such as:

- *"What does the SBA do?"*
- *"What types of SBA services have you taken advantage of?"*
- *"During what phase of the business lifecycle can the SBA help small business?"*

Then, use the key points below to continue the discussion. Also consider inviting a local SBA representative to come and speak to the class. Encourage your participants to visit the SBA Web site at www.sba.gov. This is also an excellent resource for you in presenting this lesson.

The SBA:

- Is an independent agency of the federal government.
- Is dedicated to helping people get in business, stay in business, and make their businesses successful and growing.
- Offers all kinds of resources to help you start, finance and manage your business, and find new business opportunities.
- Can help you write a business plan, obtain start-up capital, purchase real estate, and much more.
- Has offices throughout the United States to assist you

Visit the SBA Web site at www.sba.gov.

During this phase...	The SBA can help with:
Starting your business	<ul style="list-style-type: none">• Small Business Start-up Kit; training and counseling; business planning tutorial; special assistance programs for minorities, women, the disabled, veterans, and other groups; workshops; shareware.
Financing your business	<ul style="list-style-type: none">• Loan programs, including those that focus on: microloans (up to \$35,000) for start-up, newly established, or growing small businesses; low and moderate income areas.• Working capital lines of credit.• Assistance in developing a business plan and building business operations.
Managing your business	<ul style="list-style-type: none">• Online workshops, courses, and guides
Finding new business opportunities	<ul style="list-style-type: none">• Government contracting• Business development• Business Matchmaking events• Export assistance• Nonprofit grants• Expanding Your Business workshops

TOPIC 9 – GROWING A SMALL BUSINESS



How the SBA Can Help You

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TOPIC 9 – GROWING A SMALL BUSINESS



SMALL BUSINESS RESOURCES

Instructor note:

Photocopy the handout on the following page and discuss the list of resources with your participants.

This a list of helpful U.S. government and Wells Fargo Web sites to help you start, manage, and grow your own small business.

U.S. Department of Labor – Employment Standards Administration Information about: employment law; workers’ rights www.dol.gov/esa
U.S. Patent and Trademark Office Information about: Patent and trademark laws and procedures www.uspto.gov
U.S. Small Business Administration (SBA) Starting, financing, and managing a small business; Finding new business opportunities www.sba.gov
Wells Fargo www.wellsfargo.com
Wells Fargo Credit Resource Center www.wellsfargo.com/credit_center/
Wells Fargo Insurance Resource Center www.wellsfargo.com/insurance_center/
Wells Fargo Small Business Website www.wellsfargo.com/biz/
Wells Fargo Retirement Center www.wellsfargo.com/retirement_center/
Wells Fargo Tax Resource Center www.wellsfargo.com/tax_center/

TOPIC 9 – GROWING A SMALL BUSINESS



SMALL BUSINESS RESOURCES

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U.S. Department of Labor – Employment Standards Administration Information about: employment law; workers' rights www.dol.gov/esa
U.S. Patent and Trademark Office Information about: Patent and trademark laws and procedures www.uspto.gov
U.S. Small Business Administration (SBA) Starting, financing, and managing a small business; Finding new business opportunities www.sba.gov
Wells Fargo www.wellsfargo.com
Wells Fargo Credit Resource Center www.wellsfargo.com/credit_center/
Wells Fargo Insurance Resource Center www.wellsfargo.com/insurance_center/
Wells Fargo Small Business Website www.wellsfargo.com/biz/
Wells Fargo Retirement Center www.wellsfargo.com/retirement_center/
Wells Fargo Tax Resource Center www.wellsfargo.com/tax_center/

TOPIC 9 – GROWING A SMALL BUSINESS

LESSON SUMMARY

Instructor note:

Summarize this lesson by reviewing these key points with your participants.

Key points from the Getting Good Advice lesson:

- A banker can be a real asset to growing your small business.
- The SBA can help you start, manage and grow your small business.
- Other business owners are excellent resources, especially those in your community or your industry.
- Joining a local business group or trade association can offer you many benefits.

TOPIC 9 – GROWING A SMALL BUSINESS

LESSON 5: SELLING OR TRANSITIONING

In this lesson, participants will learn the essentials of creating a business succession plan that will maximize their return on investment.

MAXIMIZE YOUR RETURN

Learning Objectives

After completing this lesson, participants will be able to:

- Recognize the essentials of creating a business succession plan that will maximize their return on investment
- Describe a process for determining how much a business is worth

Start the Discussion

To start a discussion with your participants, ask some open-ended questions. Here are some examples you could use:

- When might you consider selling your business or passing it down to someone in your family or close friend?
- How would you go about placing a value on a business?

The Basics

- Most successful businesses go through four stages: startup, growth, maturity, and transition.
- By taking time to determine your business's future plan, you can maximize your return on investment.
- The maturity stage of your business is an ideal time to start planning on what you'll do in the final transition stage.
- If *you* don't take the time, you're basically guaranteeing that someone else will make those decisions for you.

TOPIC 9 – GROWING A SMALL BUSINESS



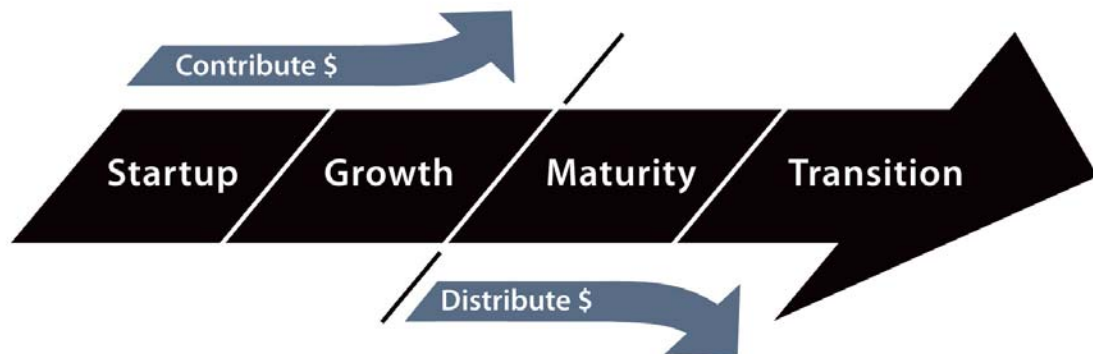
Maximize Your Return (Instructor Copy)

Instructor note:

Photocopy the activity handout on the following page. Then lead a discussion about maximizing returns. Remind your participants about the business lifecycle and its four stages—startup, growth, maturity and transition. Then discuss these key points about transitioning or selling a small business.

- The maturity stage of your business is an ideal time to start planning on what you'll do in the final transition stage.
- Will you close the business? Sell it? Pass it along to your children? Whichever path you choose, it's critical to start planning early.
- Succession planning takes time you may feel you can't spare. But when you consider all of the time, effort, and dollars you've contributed over the years, your business may be your largest single asset.
- By taking time to determine your business's future plan, you can maximize your return on investment.

Successful business lifecycle



Tip!

Surveys of financial planners, CPAs, and other business professionals have shown that it takes at least five years to create an effective business succession plan. Yet, only about 25% of all business owners do an adequate job.

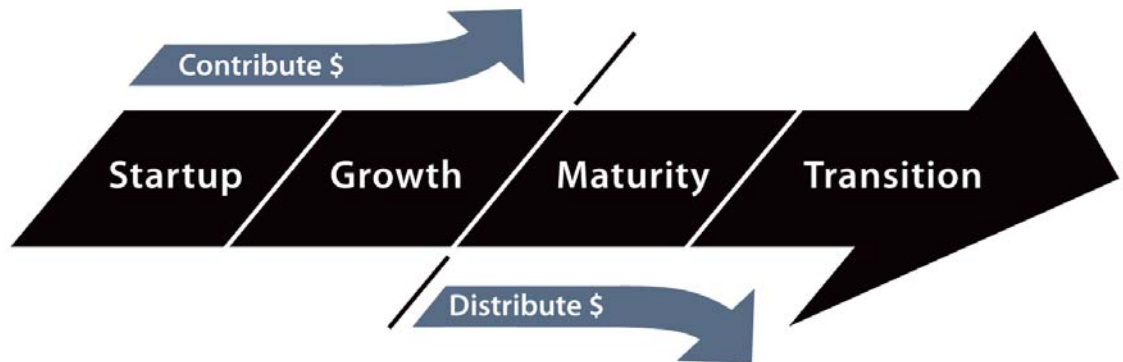
TOPIC 9 – GROWING A SMALL BUSINESS



Maximize Your Return

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TOPIC 9 – GROWING A SMALL BUSINESS



Plan Your End Game Activity (Instructor Copy)

Instructor note:

Photocopy the activity handout on the following page. Start a discussion by asking your participants some questions, such as:

- *"What is a 'succession plan' and do you have one for your small business?"*
- *"What are the benefits to having a succession plan in place or in mind?"*
- *"If you are planning to sell or hand down your small business in the future, how long do you think the transition should last?"*

Then, distribute the activity handout and instruct participants to answer the questions. Finally, lead a discussion based on participants' answers and the key points below.

Instructions:

Have your participants fill in the two sections of the activity handout.

What questions should you ask yourself as you think about your succession plan?

- Example: Do you want a future role in the business?
- Who will take over your business some day?
- Members of your family; a partner or key manager; an outside entity?
- How do you want to transfer the business?
- As a gift to family members, sell it, or some other strategy?
- Do you want a future role in the business or any ongoing benefits?

What should you consider as you think about the timing of your succession plan?

- Example: Start grooming a successor well in advance.
- Allow five or more years
- Deal with family expectations
- Write a succession plan
 - Who will take over?
 - What is the method of transfer?
 - What is your future role?
- If you want a future role in your business, determine how you will ensure that your successors don't dismantle or disband the business after the deal is done.



There are a variety of transition or exit strategies you might consider. As you compare them, it's crucial to consult with your legal and tax advisors.

TOPIC 9 – GROWING A SMALL BUSINESS



Plan Your End Game

Instructions:

Read these questions and answer in response to your current business.

What questions should you ask yourself as you think about your succession plan?

- Example: Do you want a future role in the business?

What should you consider as you think about the timing of your succession plan?

- Example: Start grooming a successor well in advance.

TOPIC 9 – GROWING A SMALL BUSINESS



Have a Professional Valuation (Instructor Copy)

Instructor note:

Photocopy the activity handout on the following page. Start a discussion by asking some questions, such as:

- *"What things should be considered during the valuation process of a small business?"*
- *"Have you ever tried to place a monetary value on your small business?"*

Then distribute the activity handout and continue the discussion using the key points and diagram below.

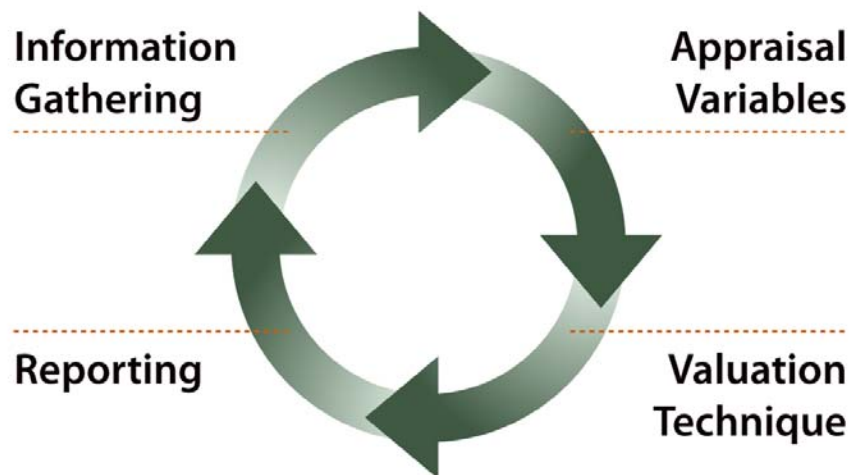
This is the fundamental question:

"How much is my business worth?"

- To answer accurately, you may need a professional valuation to get a documented statement of your company's worth.
- Each business is different and every valuation is somewhat unique.
- A professional in business valuation will examine everything from your company's management team and financial performance, to its competition and prospects.
- The report will explain the valuation technique used, any assumptions made, and how they reached their conclusions.

Have a professional valuation

How much is your business worth?



TOPIC 9 – GROWING A SMALL BUSINESS



Have a Professional Valuation

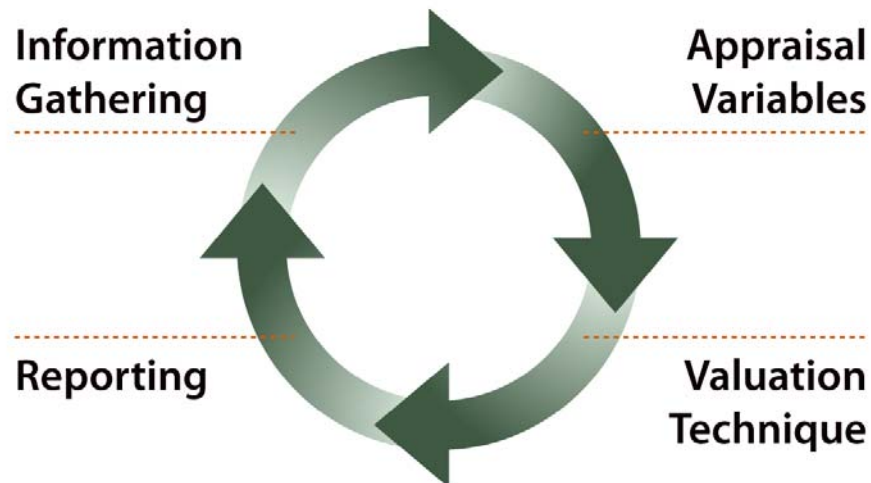
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Have a professional valuation

How much is your business worth?



TOPIC 9 – GROWING A SMALL BUSINESS

LESSON SUMMARY

Instructor note:

Summarize this lesson by reviewing these key points with your participants.

Key points from the Selling or Transitioning lesson:

- Most successful businesses go through four stages: startup, growth, maturity, and transition.
- By taking time to determine your business's future plan, you can maximize your return on investment.
- The maturity stage of your business is an ideal time to start planning on what you'll do in the final transition stage.
- If *you* don't take the time, you're basically guaranteeing that someone else will make those decisions for you.

TOPIC 9 – GROWING A SMALL BUSINESS

TOPIC SUMMARY

Instructor note:

Summarize this topic by reviewing these key points with your participants.

Key points from the Growing a Small Business Topic.

- **Most successful businesses go through four stages**—start up, growth, maturity and transition.
- **It is challenging to balance the personal and business sides of your life** as you pass through each stage of the business lifecycle.
- **Reducing overhead and maximizing cash flow will help things run smoothly**, no matter what business you're in.
- **If you borrow money, do so to increase your capacity or reduce your costs.**
- Be prepared to **show the lender why you and your business are a solid investment** when you apply for credit.
- **Marketing is the key to gaining and retaining customers.** Focus on who they are and what they need to develop a strategy that's effective and affordable.
- **Advice and guidance is available to you** from other business owners, trade associations, your banker, and the SBA
- **Succession planning takes time**, but, it can make your business investment really pay off.
- **Start succession planning early** and be sure to seek both legal and tax advice.

ADDITIONAL ACTIVITIES

These activities are designed to extend the new concepts presented in the Growing a Small Business Topic. Use these or similar activities to give participants an opportunity to apply what they have just learned to real-life scenarios.

1. Prepare a list of your Board of Directors. Talk to each person on the list and discuss your business strategy. What are ways they can help you grow your business?
2. Go to different companies' websites. Locate their "News" or "Press Release" section. Print out some press releases and compare and contrast their style, the information and other details. Use these to refine your company efforts.
3. Create your own press release about your company and services.
4. As a small business owner, consider evaluating your business and your marketing strategies to help define the value of your business and create a succession plan.
5. Set up an appointment with your banker or local SBA counselor to discuss your current business model and your options for growing.

TOPIC 9 – GROWING A SMALL BUSINESS

APPENDIX

LIBRARY ARTICLES & ADDITIONAL TOPIC RESOURCES

Use these library articles as a discussion resource or a takeaway for your participants. Remember, the online *Hands on Banking*[®] program has dozens of additional library articles that you can use and distribute for this and other topics. Visit www.handsonbanking.org to browse all the available articles.



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CREATE A BUSINESS BUDGET

- Review your income and expenses
- Divide expenses into relevant categories
- Project amounts for each area
- Stick to your plan

Creating and following an annual budget will benefit your business. Take the time to study your financial picture and what you hope to accomplish in the year ahead. The budgeting process will help you be better informed when making business decisions and better prepared to reach your goals.

To develop a budget, you need to **review your income and expenses**. Look at past records, such as financial statements and tax returns. Or you might find a similar type of business and use its budget as a model for your own. From these sources, list all of your expected expenses for three to six months, or even the entire year if your business is seasonal.

Divide your expenses into categories, such as debt, employees, and overhead. Look for spending patterns in each category. Also, remember to save money for emergencies or economic downturns.

Then use the figures and spending trends to **project amounts for each area**. Include annual totals, adjusting them for changes that you foresee in your business or the economy. Depending on your business, you might want to create income and expense goals for shorter periods of time, such as one or two weeks. High-traffic businesses such as restaurants may even require daily goals. Review your numbers from time to time and adjust them if business conditions change.

Sticking to your budget takes discipline. Share your budget with advisors and your accountant or bookkeeper to get their support. Sharing your financial projections with employees can also be helpful, but be cautious about sharing numbers that may be sensitive, like sales and salaries. Once you publicize your plan, they'll be watching for your follow-up actions.

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MAXIMIZE CASH FLOW

- Lower your overhead
- Work with reliable vendors
- Lower prices on slow-moving inventory
- Improve your cash tracking
- Invoice and collect promptly

Your business needs a steady flow of cash in order to operate smoothly. Here are some tips for managing and maximizing your cash flow.

- **Look for ways to lower your overhead.** Shop for better pricing on what you buy. Cut back on non-essentials.
- **Work with reliable vendors** that deliver quality merchandise on time. If a shipment is late or of poor quality, you miss opportunities to sell your inventory and bring in cash.
- Make the hard decision, when necessary, to **lower prices** when items don't sell. You'll be able to recover your cash and put it into products that will sell more quickly.
- **Improve your cash tracking.** Create a monthly cash flow chart, showing when you expect cash to come in and go out. This will help you anticipate possible cash shortages. Streamline your bill collection process so that you get paid more quickly whenever possible. That way, you'll have your own cash to work with, rather than paying interest on borrowed money. Double-check your bookkeeping to avoid fraud and overpayments.

Invoice and collect promptly from your customers. Consider having a 14-day payment cycle rather than a 30-day payment cycle. Along with having a shorter payment cycle, be sure that your invoices permit you to charge interest for late payments. Be careful to track accounts for prompt payment. When you extend credit, you lose access to cash and the interest it may generate if invested. Follow past-due accounts closely. The more overdue an invoice is, the less likely you are to collect it.

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APPLYING FOR BUSINESS CREDIT

If you're thinking about borrowing money for your small business, carefully consider your needs and options. Here are some tips for deciding how to proceed:

- First, look at whether your problem could be solved by improving your cash flow – rather than getting a loan. For example, can you get more cash by improving the efficiency of your collections (in other words, how fast your customers pay you)? Or, could you switch to a just-in-time inventory system so that your money isn't tied up in inventory that's not needed now?
- Next, study your financial situation. In addition to reports that capture what happened in the past, you need to create reports that represent your best-guess of future results. One key example is a cash flow projection. If you approach a bank to borrow money, they will probably want to see your cash flow projection and your business plan.
- Next, consider the risks of taking on debt. Remember, the lender will probably ask you to sign a personal guarantee. If you are unable to repay the loan, there will be negative consequences for your business and for your own personal credit.
- Finally, consider what are likely to be the future ups and downs of your business and how these will impact your finances. Through proper planning, watching your expenses, and collecting the money that's owed you more quickly, you can shorten the periods of time that are financially challenging.

If you decide to apply for credit, the first meeting with your lender can have a significant influence on your chances of being approved. In advance of the meeting, work out your business cost structure and projected revenues. Be prepared to answer the key question: Are revenues greater than costs? Establish how much working capital is needed to sustain the business until it reaches profitability.

The lender will ask you to back up your estimates. For example, if you plan to buy an expensive piece of machinery, the lender will want evidence that the manufacturing company will sell you that machine at the given cost, and that you have any necessary permits.

You should ask questions, too: Ask the lender about the loan terms, such as interest rate, maturity (the length of the loan), collateral requirements, and the amount they are willing to lend. Also ask if the lender is familiar with your type of business.

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CONDUCT LOW-COST MARKET RESEARCH

- Identify when to conduct research
- Find existing information
- Gather information yourself
- Hire a research firm at a reduced cost

You can learn important information about your customers, competitors, and your market by observing, listening, and asking questions. Hiring an outside research firm can give you the benefit of their experience and expertise. Also, customers may be more willing to give honest feedback to an objective third-party.

Q: When should a business conduct research?

A: Two excellent situations to conduct research are when you're thinking about launching a new product or service, or need to find new customers for an existing product or service.

Q: Where do you find published research?

A: Ask at your local public library. Look on the Web. Go to association Web sites that are related to your industry. If your business sells to consumers, check related government agency Web sites.

Q: What are some research methods you can do yourself?

A: Put together a questionnaire. Have your employees ask questions of customers, prospects, vendors, and suppliers. Don't be afraid to ask, "Do you like our product or service?" or "What are we doing right?" or "What can we do better?" The same thing goes when you talk to vendors or suppliers.

Go to meetings and exhibitions where your industry gathers together. At trade shows, walk around the hall and listen to people's conversations. Ask questions. Find out what your competitors are doing. Get a sense of what's going on in your industry, and what's helping others to succeed.

Q: How can you hire a market research firm for less money?

A: Find other businesses that are in similar markets with you and propose sharing the expense of a research study. For example, if you have a product sold in the health and beauty aid section of a drugstore, walk down that aisle and find a company that serves the same market but is not in competition with you. If you sell shampoo, find a company that sells hand cream. Meet with the other manufacturer and decide what kind of information you both want. You can hire an agency to help you design and conduct the research – and split the costs.

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INCREASE SALES WITH P.R.

- Write effective press releases
- Consider hiring a P.R. professional
- Know your audience
- Plan ahead

The term Public Relations (P.R.) means the ongoing efforts of a business to maintain a positive public image. Often, public relations are conducted through the media, that is, newspapers, television, magazines, etc. Writing and distributing a “press release” – a thoughtfully prepared written statement – is the traditional way for businesses and organizations to communicate with the media. Here are some tips for writing a press release that will attract positive attention for your small business:

- **Put the most important information first.** The media will pay attention *if* you have a newsworthy story to tell. Just as in the newspaper, the headline should contain the most important, attention-grabbing information about the story. Put the who, what, when, where and why in the first paragraph. After that, you can add further information and perhaps a quote from a key person in your company, or an expert on the subject you’re presenting. Make sure your information is accurate and focus on the facts. Don’t exaggerate. In the final paragraph, provide a brief summary of your company: where it’s located, what your business does, the types of clients you serve, and the year you were founded.
- **Consider hiring someone** experienced to assist you if you need advice on P.R. strategy, or you don’t have the time or desire to write and manage your own press releases.
- **Include contact information**, such as your name, phone numbers, and email address. Also write the date and "For immediate release" at the top of the page.
- **Target your audience** by doing a little research. Find appropriate reporters or editors at local news outlets that cover your business. A donut shop should target a food critic, for example. But don’t try to pressure reporters to run your story. You always want to maintain positive relationships with the press.
- **Distribute your press release in advance** – at least two weeks before, if you’re announcing an event. Send the release via email, fax or mail, depending on the writer’s preferences. You can also mass distribute press releases by using a wire service, such as PR Newswire.

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