

ENSPIRE JUNE 2008

Getting a Handle on Cash Flow

Like anything these days – coming up with adequate cash to sustain your small business can be a daunting task. It's hard to keep track of, hard to accumulate and even harder to know how much is the right amount.

The first hurdle to jump when thinking about cash is to know exactly how much you have. Curt Nelson, president of the Entrepreneurial Development Center (EDC) and partner in Renew Rural Iowa, said it's critical that entrepreneurs closely analyze where their cash is tied up – whether in inventory, receivables and payable bills.

"The whole thing about cash flow with entrepreneurs is that their income statement is not representative of cash," Nelson said.

Nelson recommends that business owners balance their cash around their taxes, payroll, rent and utilities. And he recognizes that this takes quite a lot of cash flow for most.

"The rule of thumb is that it takes twice as long and twice as much money to get where you thought you were going to go," he said. "A lot of businesses operate under the checkbook philosophy – if there's money in the bank at the end of the month then we must've had a good month – and that's just not the case."

To help business owners manage their cash flow, Nelson says they should sit down and prepare a realistic month to month income statement. He said they should add other cash and capital purchases as well as debt service to that income statement and then "add a buffer of 25 to 50 percent based on how solid they think the numbers are."

Glenn Wiltgen, a certified public accountant and partner in B2B CFO - contracted by the EDC, echoed Nelson with several tips for small business owners when dealing with cash flow.

First, they should work to collect their accounts receivable faster, he said. Also, don't keep any excessive inventory around and increase their accounts payable, he said, as that's using others money and it doesn't cost them.

"You really have to look at the big picture – where all the cash comes from and where it's going," he said.

One huge tip, Wilgen said, is for entrepreneurs to establish a long term relationship with their banker.

"(The banker) can help them through troubled waters – we all know business goes in cycles," he said.

David Neff, vice president of business development at Iowa State Bank and Trust in Fairfield, agrees that a business relationship with a local banker is a must for an entrepreneur. In fact, that's something he recommends business owners form early on in starting up their business.

"The first thing is to establish a relationship with a bank," he said. "It's a matter of building that relationship with confidence and trust in that banker."

Wiltgen says he helps clients project how their cash flow will look into the future. Using a forecasting model, he can help them see their cash tightening in advance. He also likes to help clients work on gross profit optimization, or ways to reduce the cost of the products they sell.

"It's not so much about what you have in your hands right now but what they predict their cash flow in the future to be," he said.

Another key area to focus on, Wiltgen said, is reducing operating expenses.

"You always need to stay lean and mean on operating expenses," he said. "Be very diligent before adding overhead."

Wiltgen said that while there is a lot to keep track of when managing cash flow – at the end of the day "efficiency is the keyword."

Dave Sengpiel with the Iowa Farm Bureau's Rural Vitality Investment Fund said, "A careful balance has to be maintained between running a business, growing a business and taking enough money out of the business to enable the entrepreneur to reasonably support themselves and their families. Every entrepreneur should seek help right away, be it with their accountant, lawyer, banker or through the assistance of a mentor affiliated with their local SBDC, Community College or Renew Rural Iowa to best understand how to manage the cash needs of their business."

Marketing your Business – Past Customers can be your Best Salesperson

Who better to tell others about the services and products of your business than your most satisfied customers?

A positive testimony from one of your past customers can go further than most marketing messages – people trust the opinions of their friends when choosing their partners.

Be sure and offer some sort of incentive for your past customers to refer others onto your business – after all, you'll be the real winner.

For more information, visit: <http://www.inc.com/articles/1998/01/20197.html>

Conducting Market Research

A great way for entrepreneurs to find out what their customers think about their products and services and determine your unique selling proposition is to conduct your own primary market research.

This can be done through questionnaires, surveys, one-on-one interviews, with focus groups and a variety of other ways.

The key to collecting good data is to spend time formulating the questions you'll ask and how you'll ask them.

Doing your own research can be done relatively cheaply and easily and in the end will provide an accurate response. After all, you're polling your most important critics – your current customers.

For more information, visit: <http://www.nolo.com/article.cfm/ObjectID/8C76DCEF-9D53-45DF-B23A5C8A79835E7C/catID/007A76EC-6651-4D6E-9C37D5EA3478F109/111/277/100/ART/>

Renew Rural Iowa Entrepreneur for June

The Sioux Center reproductive technology company that has pioneered elite bovine reproduction for 25 years, Trans Ova Genetics, has been named the Renew Rural Iowa Entrepreneur of the month by Iowa Farm Bureau.

Since 1980, Trans Ova Genetics has been working closely with cattle breeders on advanced reproductive services, including in-vitro fertilization, embryo transfer, genetic preservation and cloning. Cloned cattle are used to improve the genetics of a dairy or cattle herd and preserve the lineage of elite breeds. Although the Food and Drug Administration has declared cloned animals safe for human consumption, the cloned cattle from Trans Ova are used for breeding purposes.

The Renew Rural Iowa program is an Iowa Farm Bureau initiative that combines an innovative mentoring model for entrepreneurs with a rural vitality investment fund. The Renew Rural Iowa Award is a designation which honors leading entrepreneurs as a testament to the vitality, creativity and cooperation of Iowa's rural communities.

For more information, visit: <http://www.renewruraliowa.com/leaderaward.html>