

## Outsourcing: Essential for Productivity and Focus

Too much on your plate? Delegate!

Want to grow? Stop doing the everyday execution and start focusing on selling, new projects, leadership and the future!

Yes, this will require that you let go. It's the only way you're going to be able to expand your success.

One way to delegate is to outsource, which is simply a term for delegating a task to an "outside" person or firm rather than to an employee. The great things about hiring an outside firm (outsourcing) vs. an employee are:

- Outsourcing can be an effective means for obtaining a person with a very high level of expertise (i.e., he or she won't come work for you, but he or she will provide a service for you)
- Being that the outsourced person or firm will not office with you, you don't have to incur the cost of providing an office, phone, computer, etc.
- Since the outsourced person or firm will not be an employee, you don't have to incur the expense of payroll taxes, unemployment taxes, benefits, vacation, etc.
- You don't have to worry about "having enough work" to hire an additional employee, as you just pay for what you use
- The outside person or firm should have all the equipment and tools necessary to perform the job, alleviating your need to provide them
- Termination of an outsourced relationship is easier, typically with less emotion and much lower cost and risk

Outsourcing has some pretty compelling benefits? You bet.

The most commonly outsourced functions today are printing, janitorial, legal, tax, payroll and computer/technology maintenance. But rapid advances in technology and communication, and the ongoing trend toward specialization, have opened almost every imaginable service to outsourcing. This trend has brought great minds to the question of how outsourcing fits into business strategy.

*continued on page 14*

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# From The Editor

I'm constantly amazed at how dreams become reality. How little dreams — ideas — spring to life and become a part of who we are, a part of our business.

Several years ago I dreamed of offering the periodical of choice for owners of small and mid-size businesses. A how-to newsletter for business owners who are committed to growth and who need good, straight-to-the-point information on high-value topics. While we are getting closer to reaching our goal, we constantly receive feedback that our product is good, is helping business owners, and fills an underserved need. We are also receiving recognition in other ways. *The Business Owner* was recently selected "Best Instructional Reporting" in the national Newsletter Journalism Awards conducted by the Newsletter and Electronic Publishing Foundation.



David L. Perkins, Jr.

Jack Stack, CEO of the highly successful Springfield Remanufacturing Corp. and author of [The Great Game of Business](#) and [A Stake in the Outcome](#), says dreaming is essential for the business owner. I agree. We must dream about what the future can be. Should be. Then, we formulate plans for making it so and ... execute. For tips on how to execute, read herein our book review on [Execution: The Discipline of Getting Things Done](#).

By the way, Stack also discusses the reality of business management, which is that business is a messy process made up mostly of solving the constant stream of problems and failures. Every business is imperfect, embarrassingly so. To be in business is to tackle problems and "messes" day in and day out. Great business leaders, and businesses, learn to embrace the imperfections and become skilled at solving problems.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Perkins, Jr.", written in a cursive style.

David L. Perkins, Jr.  
Publisher and Editor

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**VALUATION**

# How the IRS Will Value Your Business

The factors below should be considered when valuing *any* closely held business for any reason, including sales, transfers, gifts to your children or other family members, and stock options granted to key executives. These factors, taken as a whole, provide the basis for a comprehensive, defensible valuation. But they have added importance because they are the factors the IRS uses in valuing businesses. (For further explanation, see IRS Revenue Ruling 59-60.)

- Nature of the business being valued, e.g., manufacturer, distributor, independent representative, or service business.
- Economic outlook, in general, where the company operates.
- Condition and outlook of the specific industry in which the company operates.
- The net book value of the company (assets less liabilities) and the overall financial condition of the business.
- The historical and projected earnings of the company (particularly, its earnings potential over the next three to five years).
- Whether the stock is voting or non-voting.
- The company's ability to pay dividends.
- The existence of goodwill or other intangible assets, such as licenses and patents.
- Prior sales, transfers, and gifts of shares to others (e.g., an employee, venture firm, or family members). If the sale or transfer was affected on an arm's-length basis, this will help establish the fair market value of the stock.
- The size of the block of stock being valued (e.g., minority or controlling block). If it's a minority position, a discount of 20% to 40% can be applied to the value.
- The value and price-earnings multiple of companies engaged in the same or similar lines of business whose shares are publicly traded in a *free* and *open* market, either on a stock exchange or over the counter.

The ruling further states that “all *available* financial data” and “other relevant factors affecting the fair market value of the stock” must also be considered. □

**“You always reap what you sow. There is no shortcut.”**

*Steven Covey*

# Selecting the Right Coach

Coaching is the new professional development tool for the business owner. The feature article in the May-June 2005 issue of *The Business Owner* introduced coaching and discussed the three main types:

**Personal or Life Coach:** A person who assists or mentors you in reaching your personal, life and/or career goals.

**Executive or Professional Coach:** A person who is hired by an organization to mentor the development of an employee for the benefit of the organization.

**Group Coach:** A person hired to work with a group, such as an executive team or family, to improve team performance.

The success of any coaching relationship depends on the skill and experience of the coach; the “fit” between coach and client; the up-front agreement on inputs, responsibilities and outcomes; and the level of buy-in of the coach and client(s).

## Do you need a coach?

Coaching sounds pretty cool, but you need to ask yourself, “What is it that I want to accomplish? Sample clear answers might include the following:

“I want to become a better business owner and manager ... the ultimate goal being an accelerated learning curve and revenue and profit growth.” (personal or professional coach)

“My team and I need to develop better skills for working together to improve our ability to manage a growing, profitable business.” (group coach)

“I want to improve my interpersonal and leadership skills.” (personal coach)

A clear, written purpose will help you assess whether or not coaching is an option for assistance in goal attainment. It will also help coaching candidates evaluate “fit”.

## Finding coach candidates

Coaching has exploded in popularity in the past decade. Since there are no rules for who may call themselves a coach, and there are no generally accepted standards for certification, finding a good coach can be difficult.

There are, however, some ways in which a coach may demonstrate commitment to the profession. First, how long has he or she been coaching? Can he or she produce references? Is coaching his or her full time job? Does he or she offer a brochure describing services? Does he or she have a Web site? Has he or she published articles or books?

Second, there are several coaching accreditation programs, such as those issued by the International Coaching Federation ([www.coachfederation.org](http://www.coachfederation.org)); the College of Executive Coaching ([www.ExecutiveCoachCollege.com](http://www.ExecutiveCoachCollege.com)) and Corporate Coach U ([www.ccu.com](http://www.ccu.com)). Does your candidate have any training or certifications in coaching?

Third, what is the professional background of your coaching candidate? If you own a business and want mentoring as a means for investing in your success, you might want a coach who has business ownership or leadership experience.

To find candidates, visit the above-mentioned Web sites. Also, ask your friends and peers if they know any good coaches.

## Assessing “Fit”

Credentials are one thing, but fit is another issue altogether. Fit speaks more to chemistry. Do you get along? Does he or she respect you? Does he or she understand and support your goals? Does he or she listen to you deeply? Does she have her own agenda, or does she adopt your agenda? Is she smart? Is she wise, patient, structured, committed?

We agree with the *Harvard Business Review* which recently said:

“Perhaps the most important coaching qualifications are character and insight, distilled as much from personal experience as from formal training. Pay close attention to chemistry and match ....”

Maybe the right coach is like the right spouse? If you have to think about it too much, maybe it's not right. In short, you'll know when you meet the right one.

## Up-Front Agreements

The key to any relationship is ... expectations. If all parties are honest and up-front about desires, expectations, capabilities and responsibilities, it's tough to get too far off track. So, up-front communication is critical. Extended discussions should be undertaken at the outset. Then, mutually agreed-upon goals and responsibilities should be established in writing, along with a plan for meeting frequency, agenda and accountability.

As a business owner once said, “Everybody has an agenda. Whom can I trust?” Such may be the greatest endorsement for a coach — a person specifically hired to be candid,

honest, and have YOUR best interest in mind. As you interview coaching candidates, be sure you find one who will tell it like it is. □

*This is the second article in a series on Coaching.*

May-June 2005 issue: *Executive Coach: Nonsense or Dollars and Cents?*

> This issue: *Selecting the Right Coach*

Sept-Oct 2005 issue: *Getting the Most for Your Coaching Dollar*

Nov-Dec 2005 issue: *Group Coaching*

Jan-Feb 2006 issue: *Business Owner as Coach*

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**“Perhaps the most important coaching qualifications are character and insight, distilled as much from personal experience as from formal training. Pay close attention to chemistry and match ....”**

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*Harvard Business Review*

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# Ask the Expert: Asset Protection Planning

Armand Paliotta, Esquire  
Hartzog Conger Cason & Neville

**Question:** AIG's Chairman, Hank Greenberg, is accused of falsifying the financial performance of his company. If this is found to be true he could owe substantial personal financial penalties. In an attempt to protect himself, he transferred a substantial amount of his assets to his wife. Can he do this? Can he get away with this?

**Answer:** Well, first of all, a person can at any time give away assets that he or she owns, as long as other persons or entities do not have a legitimate claim to those assets. Second, there is nothing immoral or unethical about protecting your assets from the claims of creditors. No law requires that a person leave his or her assets exposed to claims of creditors.

However, creditors (people who lend money) are entitled to receive a clear picture of the financial condition of their borrower. Creditors will also typically — in their agreement to lend — prohibit certain actions that could adversely affect their claim. Absent such provisions, a creditor still might be able to get a court to render a borrower's financial maneuvers "null and void" if the maneuvers are fraudulent.

The recently publicized transfer of assets by billionaire AIG founder Hank Greenberg highlights the importance of asset protection. Particularly, it highlights the need to protect assets well in advance of any financial crisis. In Mr. Greenberg's situation, creditors and regulatory authorities are asserting that his transfers were fraudulent and, thus, can be voided. With advanced, carefully implemented asset protection planning, Mr. Greenberg could have minimized the risk of his transfers being questioned.

Simply stated, asset protection planning involves a transfer of assets (cash, real estate or other assets) to another person or

entity in a manner that makes those assets more difficult, if not impossible, to be reached by creditors.

Fraudulent transfer laws are complex and the determination of whether a transfer is fraudulent can be subjective and very factually intensive. There are, however, a few factors that are important in determining whether a transfer is fraudulent, such as:

- Was the transferor insolvent at the time of the transfer or rendered insolvent as a result of the transfer?
- Did the transferor intend to defraud a creditor?
- Did the transferor receive fair consideration for the property transferred?
- Was the transfer to an "insider?"
- Did the transferor retain possession or control of the transferred property?
- Was the transfer disclosed or concealed?
- Did the transfer take place in response to a current or threatened legal dispute or liability?

Avoiding fraudulent transfers in the asset protection planning process requires sound knowledge of fraudulent transfer laws and the avoidance of these badges of fraud. If you have substantial assets, you should concern yourself with protecting those assets. Could an unforeseen occurrence, such as a lawsuit, wipe-out the wealth you've spent years accumulating? Consult a lawyer skilled and experienced in estate planning and/or asset protection planning. □

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- Chart a course through sensitive negotiations
- Sustain momentum
- Properly structure the deal



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# Bankruptcy Law Changes Make it Harder to Flee Financial Obligations

Newly enacted changes to U.S. bankruptcy law attempt to make it more difficult for individuals to avoid financial obligations by filing for bankruptcy. The result? More people will be forced to work out repayment plans.

Supporters say the changes initiated by the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 will end the practice of people abusing the bankruptcy system. By "abuse," they refer to people who recklessly run up debts and then avoid paying by filing for bankruptcy; fathers who use the laws to avoid child support; and multimillionaires who use the law to shelter sizeable assets.

Opponents say it will hurt those who can least afford it — low-income working people, single mothers, minorities and the elderly — and would remove a safety net for those who have lost their jobs or face crushing medical bills.

**Means Testing:** The new law sets up what is referred to as "means testing." That is, assess or "test" the "ability to pay" of each person who wants to file bankruptcy. This will be done by simply adding up the petitioner's income and assets and measuring "ability to repay." Those with sufficient income or assets will not be able to file Chapter 7 and thereby eliminate all their debt. Instead, they will only be able to file Chapter 11 or 13, which means they must work out a plan for paying all or a portion of their debts.

**Homestead Exemption:** Supporters of the changes say bankruptcy is often abused by multimillionaires who buy mansions in states with liberal homestead exemptions in order to shelter assets from creditors. Kansas, Oklahoma, Texas, Florida, Iowa and South Dakota have unlimited homestead exemptions. That allows wealthy people to file for bankruptcy and keep their mansions in those states sheltered from creditors.

The new federal law restricts a state's homestead exemption to \$125,000 if the person in bankruptcy bought his or her residence less than three years and four months before filing and the purchase was not made with equity from the sale of a homestead in the same state.

**Child Support:** The new law makes it harder for a filer to use the bankruptcy law to avoid paying child support. In fact, it gives child support payments a priority claim over other creditors on the income and assets of the filer.

**Credit Counseling:** The new law requires the completion of credit counseling before bankruptcy.

**Asset Protection Trust:** The new law leaves largely intact an increasingly popular mechanism called asset protection trusts. These trusts are used as a means for protecting assets from creditors even after filing for bankruptcy. Setting up these trusts can cost many thousands of dollars. Maintaining them and paying an in-state trustee can cost thousands more, making this mechanism viable only for the wealthy.

Until 1977, these trusts could only be opened offshore. But since then, eight U.S. states — Alaska, Delaware, Utah, Nevada, Rhode Island, Oklahoma, South Dakota and Missouri — have passed laws exempting assets held in the United States from federal bankruptcy laws. People opening one of these trusts don't have to be a resident of the state but merely establish the trust there.

The new law does stipulate, however, that transfers of assets into such a trust can be nullified if the transfer is found to have been made with the intent to hinder, delay or defraud a creditor. □

*This article was adapted from work provided by the law firm of Hall Estill and was reviewed by Steve Soule, attorney with Hall Estill and U.S. Bankruptcy Trustee. See [www.HallEstill.com](http://www.HallEstill.com).*

## About the Publisher



David L. Perkins, Jr. owns, writes, edits and publishes *The Business Owner*, the newsletter of choice for more than 25,000 business owner subscribers that are serious about building wealth through

successful private business ownership.

Mr. Perkins draws editorial ideas and inspiration from his daily work as a merger and acquisitions consultant, where he has advised on more than 100 purchase/sale transactions involving both private and public companies. His M&A consulting firm is Vercor, which has seven U.S. offices and a European affiliate office. Vercor specializes in sell-side representation of businesses valued between \$2 million and \$75 million (see [www.VercorAdvisor.com](http://www.VercorAdvisor.com)).

Mr. Perkins holds a Bachelor of Psychology degree from the University of Oklahoma and a Master in Business Administration degree from the University of Notre Dame. He has formal training in business valuation. He also editorially pulls from prior experience in commercial real estate leasing and brokerage, commercial bank lending and private company financial management.

David L. Perkins, Jr. is the author of [A Concise Overview of Business Valuation](#) and co-author of [The Business Sale, An Owner's Most Perilous Expedition](#). Both may be purchased at [www.TheBusinessOwner.com](http://www.TheBusinessOwner.com).

Mr. Perkins is a professionally trained, content-rich platform speaker available for both keynote and breakout sessions. In-demand topics include

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**"There is no real excellence in this world that can be separated from right living."**

*David Starr Jordan*

# Media Buying

Since the dawn of the advertising age, mass media advertising has been one of the most powerful means for voluntary wealth redistribution.

How so? Business owners and managers, through mass media advertising, transfer money from their own account to the pockets of media companies, media consultants and various industry players. This gravy train has attracted millions of people who become skilled at facilitating the process, a few of whom simply skillfully assist you in throwing your money away. Others just charge you more than necessary.

Let's take a look at the mass media landscape. It's the perfect Petri dish for waste, greed and profiteering.

1. **Complexity and Confusion:** Media buying is complex. It involves detailed statistics on demographics such as listenership, readership and viewership. How does one determine the value of a radio station's best listenership? Each station claims to be number one in your desired demographic, or at least a close second. Stations artfully manipulate their ratings in order to draw the desired conclusion.
2. **Ego and Emotion:** Mass media advertising is a vehicle for awareness creation. It offers a ticket to the "who's who" network. Many potential advertisers might be emotionally lured by this. Emotion and ego are a salesperson's best friends. Don't fall for the grandiose pitch. Set a budget and stick with it. Some of the best local TV commercials are produced for less than \$5,000.
3. **M-O-N-E-Y:** Big money changes hands in mass media advertising. Where there is money, there are salespeople and con men (and women) — sophisticated ones that have an answer for everything.

So, you want to create awareness and increase sales? You find an advertising consultant to assist in the design of a program. The good news is, you learn that the service costs you nothing, as your consultant is paid by the media outlet (radio station, television station, newspaper, etc.) What a deal!

Well, as we all know, there is no such thing as a free lunch. The media company simply adds your consultant's fee to the price you're quoted. Or, more often than not, your consultant simply quoted you whatever he or she felt you would pay.

Considering mass advertising? Think about the following:

- **Is mass media advertising right for you?** Mass media is for speaking to the masses. Does your product or service appeal to the masses? The greater the degree to which it does, the greater likelihood the means could be economically viable for you. For example, does your business have multiple retail locations? If so, mass media (radio, television and cable) could be a fit. Or is your business a high end home furnishings store? In this case, mass media could waste precious advertising dollars. Direct mail might be a better option.
- **Cost per prospect — the basis for analysis.** Each media option offers its own audience profile: listener counts,

gender, socioeconomics, tastes, buying patterns, location, etc. The question is, how many are good prospects for your product or service, and what is the cost per prospect?

You want to find the outlets at the lowest cost per prospect (of course). To do this, calculate the cost per rating point. For example, the 10 P.M. news on the ABC affiliate in your market has a rating of 10 for women between the ages of 25 and 54. The cost of the spot is \$500, so your cost per rating point is \$50. Compare this to the NBC station whose rating for women ages 25-54 is a 7 in their 10 P.M. news slot, and the cost of the spot is \$300. The cost per rating point is \$42.85. The NBC affiliate offers the better deal.

- **Will the actual facts please stand up?** Each media option — radio, television, newspaper, etc. — has a definitive source for factual audience data. For television, it's A.C. Nielsen. For radio, it's Arbitron. When you do your audience analysis and cost per prospect work, go straight to the source and make the calculations yourself. Don't use summarized data provided by the media outlet or salesperson!

If your consultant cannot produce the source data, as originally published, red flags should start waving. You're not dealing with a professional!

- **Frequency and consistency:** Awareness is what you want to achieve in your target audience. Awareness is not created with just a few exposures. It takes repeated exposure over time. Do you have the dollars to sustain such a program?

What's the frequency necessary to move your audience to buy from you? An accepted rule of thumb is exposure to 90% of your target audience three or more times, at a minimum. If you can't afford this, mass media may not be for you.

- **Ad design:** The design of your ad is critical. You want the help of an expert you trust. Design is critical to effectiveness and economics. Keep in mind the ratio of ad design cost to total budget. If you spend most of your money on ad design and have little left for airtime, you've wasted your money. The key is not to skimp on the ad, but to buy an ad that works and use it repeatedly over a long period of time. By using the same ad again and again, the per-use cost of the ad declines. As a rule of thumb, if the total budget is \$50,000, the ad should not cost more than \$5,000 or 10% of the total budget.
- **Pay each service provider directly:** By paying directly and separately for each service provider — ad creation talent, media consultant, media outlet, etc. — you may minimize cost and avoid exposure to an unscrupulous purveyor. It's not uncommon for a company to contract with an ad consultant for a turnkey program. The company pays the consultant for the entire program, but the consultant does not pay the media outlets. Then the consultant disappears and you're the one responsible, ultimately, for the bill. □

*Todd Rollins, a media consultant, contributed his expertise to this article. He can be reached via his website, [www.onlinemedia.com](http://www.onlinemedia.com).*

# Creative Creatures

## Working with Marketing, Design, PR and Ad Professionals

Marketing starts with a vision of what your company stands for and its unique place, personality, passion and position. To market successfully, you must understand your target market and customers, their expectations, and the values that shape their buying decisions. Only by understanding who your customers are can you develop an appropriate brand vision.

Once this is firmly set, the task is to create images and messages that capture, communicate and reflect that vision; and then promote your brand in the marketplace. We are often too close to our own material to develop appropriate images and messages. For this reason, many seek the help of outside talent.

A good creative person will bring an outside perspective and act as a sounding board on how well you are expressing your vision. He or she will help you articulate your message in a way that speaks to customers' wants and needs. In addition, this person will create professional looking images that add substance to your appearance.

### **Who Should You Hire?**

First, what do you want to accomplish? There are significant differences between marketing, design, public relations (PR) and advertising professionals.

- Marketing involves creating and managing programs that address support for sales channels. It can encompass elements of design, PR and advertising.
- Designers typically do just that — design logos, brochures and other marketing materials. They may not know how to put together an ad campaign. They may be part of a larger agency that also does advertising campaigns.
- Advertising is a way of getting a controlled message in front of your target market through media placements. It requires knowledge of the effectiveness, cost and value of the varied media options.
- Public relations (PR) involves getting the word out about your organization and its products through conversations, written or verbal, with opinion leaders. The goal is to get them to want to write or talk about you (in a positive light)!

The total marketing mix will be most effective when all components — PR, design, advertising and execution programs — are created in a comprehensive and coordinated plan. No one vehicle on its own can carry a company to success.

It's important to note that with PR, you have much less control over the result. It's the seeding of information in hopes that influencers will bring it to life in a public forum. When it occurs, it can be a very powerful vehicle as it offers much more credibility than paid placements. When people of influence talk

about you — in a positive light, of their own free will and without compensation — the audience listens.

In contrast, advertising allows you to control the message and when and where it will run.

### **Choose Your Partners Carefully**

Before committing to a particular consultant or agency, conduct an interview to make sure the people involved understand your business and products; and that they are experienced and passionate about the type of assistance you need.

Evaluate several candidates to get different perspectives and ideas. Look at their previous work. Does it all have the same look? Do you see passion? Do they see opportunity for your business? Can this person or agency “think outside the box” for you? Have they been effective for their other clients? Design awards are good for the agency but don't necessarily mean the client's objectives were met. Ask a lot of questions. Listen to the answers. Get references and testimonials.

Be sure to identify who exactly will be working on your project. You may initially meet with the principal of a firm, but will he or she continue to be involved in your project, or hand it off to a junior person? Spend time with each team member to get a sense of whether you can work together.

Understand the contract terms. Who owns the work (images, designs, source code) when the project is done? How easy will it be to update the creations?

### **The Vision Comes from You**

Designers, PR and ad professionals work from your vision as their base of operation. So, you need vision and you need to express it so they see it. Who are you? For what do you stand? Who do you speak to? Who does business with you? What image do you want to present? The more clearly you can articulate these things the better your specialists will be able to focus their efforts.

### **Set a Budget and Communicate it Up-Front**

If you want the team to hit a target, give it to them. It will also allow them to tell you what's possible and what your options are.

### **Let Them Do Their Job**

Once you choose a creative professional or team, let them bring their ideas and talent. You've hired them because they have expertise in areas you don't. Skills and contacts you don't have. Let them do their job. Listen to them.

*continued on next page*

**Creative Creatures: Working with Marketing, Design, PR and Ad Professionals, continued from previous page**

## Help Them Help You

Assign someone in your company to be responsible for working with the consultants you hire. Make it in his or her best interest for the project to succeed. This person needs to make sure the “creative” has everything he needs and helps drive your company to make timely decisions.

Finally, you want your agents to want to work with you and give you their best. Treat them well and you might find friends that can add significant value to you and your business, over time. □

*This article is the eighth of a nine-part article series on branding called The ABCs of Small Business Marketing. It is written jointly by David L. Perkins, Jr. and Jean Wilcox. Ms. Wilcox (jwilcox@cattlelogos.com) is a partner in CattleLogos Brand Management Systems, LLC and co-author of Abullard's ABC's of Branding.*

May-June '04 Issue: *Your Marketing Message: Back to the Drawing Board*

Jul-Aug '04 Issue: *Avoid Marketing Mayhem: Establish Your Brand Vision*

Sept-Oct '04 Issue: *Logo and Look: Selecting the Visual Elements that Support Your Brand Vision*

Nov-Dec '04 Issue: *Tag Lines and Messages: What You Say Should Support Your Brand Vision*

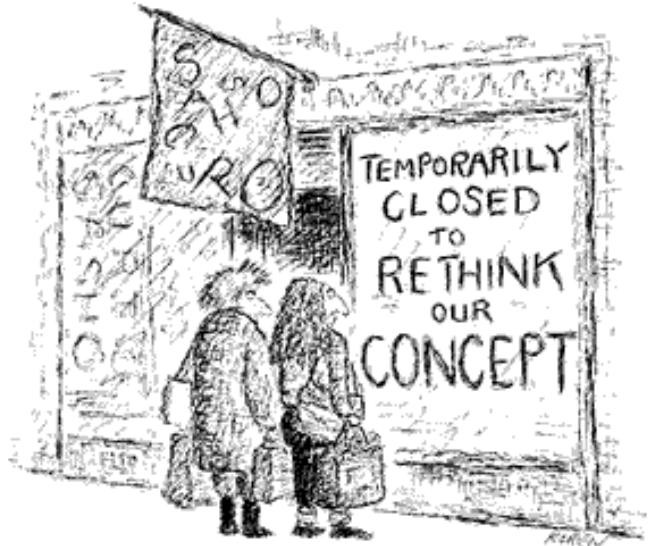
Jan-Feb '05: *Guided Missile Marketing: Selecting Means with Maximum Payload*

Mar-Apr '05 Issue: *Marketing for Dummies? Build in Quality Control*

May-June '05: *Master Your Marketing: Monitoring and Feedback Enable Continuous Improvement*

> This issue: *Creative Creatures: Working with Marketing, PR and Ad Professionals*

Sept-Oct '05 Issue: *Win the Marketing Game: Be Proactive or Perish*



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### Tips for choosing design professionals:

- Are they able to produce designs that work across all media — paper, presentations, display, embroidery?
- Do they understand color issues?
- Are they familiar with a variety of printing processes and options?
- Do they explain the trade-offs of various design options to you?
- Do they understand the fundamentals of your business, your industry?
- Do they know what's appropriate?
- Don't let designers drive you to trendy colors and images unless that's what you really want. It's your business ... you must be happy with what they produce.

### Tips for choosing advertising professionals:

- Is their portfolio “memorable”?
- Are their clients satisfied?
- Do they know your industry?
- Do they understand your business?
- Are they willing to work within your budget?
- Can they explain what can be done for different levels of spending?
- Do they investigate and explain the “means” you can use to go to market?
- Do they give you ways of tracking your results?
- Are they versed in new technologies, such as the internet and cell phones?

### Tips for selecting public relations (PR) professionals:

- Do they have experience in your industry?
- Do they understand your business and can they explain why it's newsworthy?
- Do they have contacts with media and opinion leaders in your market?
- Can they explain what can be done for different levels of spending?
- What do their clients say?

# Taxes Matter to Business: A Ranking of Each State's "Tax Friendliness"

The Tax Foundation's State Business Tax Climate Index measures the "tax-friendliness" to business of each state's tax system. Tax systems are one of the principal tools that states use to compete for these jobs. The tax foundation has concluded that the special tax package game is often a futile approach for attracting businesses. States are better advised to keep taxes low and simple. It's fair to existing business, it prevents boondoggles, and it works.

If any state imposes a greater overall tax burden than a neighboring state, business will cross the border to some extent. How much states take in taxes is critical, but how they take it can be just as important.

The most competitive tax systems are usually found in states that raise sufficient tax revenue without one of the major taxes on sales, personal income or corporate income.

The least competitive are found in states with complex, multi-rate corporate and individual tax codes; above-average sales tax rates that exempt few business-to-business transactions; high state tax collections; and few institutional restraints on taxation or spending.

The Tax Foundation asserts that as state lawmakers assess their tax systems, they should keep two rules in mind:

1. **Taxes matter to business.** Taxes affect business decisions, job creation and retention, plant location, competitiveness and the long-term health of a state's economy. For businesses, taxes are an input cost, just like the cost of raw materials. When costs rise, they are passed along to consumers (through higher prices), workers (through lower wages or fewer jobs) and shareholders (through lower dividends or share value).
2. **States do not enact tax increases or cuts in a vacuum.** Every tax change will in some way change a state's competitive position compared to states next door or across the country. Ultimately, it will affect the state's national standing as a place to live and do business. Entrepreneurial states can take advantage of other states' tax increases to lure businesses, which bring jobs and tax revenue.

The Tax Foundation's overall index is a composite of five specific indexes devoted to major features of a state's tax system that influence business decisions or the economy in general:

1. Corporate income tax
2. Individual income tax
3. Sales and gross receipts tax
4. Unemployment insurance tax
5. State's fiscal balance

In total, the State Business Tax Index consists of five specific indexes, 10 sub-indexes and 109 variables. The accompanying table shows the ranking by state and was compiled with 2004 data. □

| State          | Overall Rank | Corporate Income Tax Index Rank | Individual Income Tax Index Rank | Sales and Gross Receipts Tax Index Rank | Unemployment Insurance Tax Index Rank | Fiscal Balance Index Rank |
|----------------|--------------|---------------------------------|----------------------------------|---|---------------------------------------|---------------------------|
|                |              |                                 |                                  |   |                                       |                           |
| Alabama        | 16           | 27                              | 19                               | 13                                      | 6                                     | 14                        |
| Alaska         | 3            | 49                              | 4                                | 1                                       | 38                                    | 10                        |
| Arizona        | 19           | 15                              | 26                               | 41                                      | 8                                     | 7                         |
| Arkansas       | 42           | 45                              | 22                               | 39                                      | 44                                    | 37                        |
| California     | 38           | 39                              | 44                               | 37                                      | 22                                    | 30                        |
| Colorado       | 8            | 5                               | 13                               | 22                                      | 25                                    | 1                         |
| Connecticut    | 36           | 19                              | 21                               | 33                                      | 24                                    | 43                        |
| Delaware       | 18           | 36                              | 20                               | 3                                       | 10                                    | 46                        |
| Florida        | 2            | 9                               | 4                                | 21                                      | 1                                     | 5                         |
| Georgia        | 20           | 11                              | 26                               | 7                                       | 33                                    | 15                        |
| Hawaii         | 50           | 28                              | 47                               | 45                                      | 20                                    | 50                        |
| Idaho          | 31           | 17                              | 35                               | 19                                      | 46                                    | 22                        |
| Illinois       | 23           | 23                              | 11                               | 42                                      | 41                                    | 18                        |
| Indiana        | 12           | 23                              | 10                               | 10                                      | 5                                     | 28                        |
| Iowa           | 28           | 43                              | 30                               | 15                                      | 28                                    | 17                        |
| Kansas         | 32           | 46                              | 24                               | 32                                      | 17                                    | 29                        |
| Kentucky       | 44           | 44                              | 25                               | 8                                       | 47                                    | 42                        |
| Louisiana      | 27           | 34                              | 18                               | 49                                      | 21                                    | 11                        |
| Maine          | 42           | 40                              | 34                               | 11                                      | 39                                    | 40                        |
| Maryland       | 21           | 6                               | 35                               | 9                                       | 14                                    | 26                        |
| Massachusetts  | 33           | 29                              | 15                               | 11                                      | 48                                    | 38                        |
| Michigan       | 36           | 50                              | 12                               | 17                                      | 41                                    | 39                        |
| Minnesota      | 48           | 31                              | 38                               | 36                                      | 32                                    | 48                        |
| Mississippi    | 25           | 32                              | 16                               | 47                                      | 2                                     | 27                        |
| Missouri       | 11           | 13                              | 23                               | 29                                      | 9                                     | 4                         |
| Montana        | 17           | 30                              | 50                               | 5                                       | 23                                    | 19                        |
| Nebraska       | 35           | 42                              | 28                               | 34                                      | 16                                    | 32                        |
| Nevada         | 6            | 1                               | 7                                | 46                                      | 39                                    | 16                        |
| New Hampshire  | 5            | 37                              | 8                                | 2                                       | 43                                    | 8                         |
| New Jersey     | 34           | 33                              | 32                               | 24                                      | 26                                    | 34                        |
| New Mexico     | 39           | 18                              | 35                               | 48                                      | 15                                    | 41                        |
| New York       | 49           | 14                              | 49                               | 40                                      | 50                                    | 36                        |
| North Carolina | 30           | 22                              | 44                               | 35                                      | 7                                     | 31                        |
| North Dakota   | 39           | 48                              | 29                               | 20                                      | 37                                    | 34                        |
| Ohio           | 29           | 38                              | 46                               | 38                                      | 11                                    | 21                        |
| Oklahoma       | 14           | 12                              | 39                               | 14                                      | 3                                     | 12                        |
| Oregon         | 10           | 15                              | 43                               | 4                                       | 27                                    | 6                         |
| Pennsylvania   | 22           | 47                              | 13                               | 25                                      | 12                                    | 25                        |
| Rhode Island   | 46           | 23                              | 41                               | 28                                      | 49                                    | 33                        |
| South Carolina | 24           | 10                              | 40                               | 16                                      | 44                                    | 13                        |
| South Dakota   | 1            | 1                               | 1                                | 43                                      | 30                                    | 3                         |
| Tennessee      | 15           | 23                              | 9                                | 44                                      | 34                                    | 9                         |
| Texas          | 4            | 20                              | 4                                | 23                                      | 13                                    | 2                         |
| Utah           | 26           | 8                               | 42                               | 27                                      | 19                                    | 24                        |
| Vermont        | 45           | 35                              | 48                               | 18                                      | 4                                     | 49                        |
| Virginia       | 12           | 7                               | 17                               | 6                                       | 29                                    | 19                        |
| Washington     | 9            | 1                               | 1                                | 50                                      | 36                                    | 23                        |
| West Virginia  | 47           | 41                              | 31                               | 26                                      | 35                                    | 45                        |
| Wisconsin      | 41           | 20                              | 32                               | 31                                      | 31                                    | 44                        |
| Wyoming        | 7            | 4                               | 1                                | 30                                      | 18                                    | 47                        |

# Communication Skills: A Must-Have for the Business Owner

As a business owner, you are the leader. Are you leading? How well?

The leaders' paramount responsibility is to:

- Establish the organization's goals
- Communicate the goals to the employees, customers, prospects and general public
- Demand — and reward — behaviors that demonstrate the company's values and standards

Just as a child looks to the parent for clues as to whether to be excited, fearful, or non-plussed, your employees look to you for what is and what is to come. Your customers and prospects look to you for this as well.

What messages are you giving to those that look to you for guidance? Are you aware of the messages you give? Are you aware of the importance of your messages? How your messages are being received?

The future of your company is determined each day through communication. Moreover, your company itself — its culture — is determined by the communication that occurs within it each day. And it is you — the leader — that sets the tone and culture. Your people will adopt your attitudes, priorities, methods and style. They will place importance on the things on which you communicate and demonstrate importance.

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**The quality of the leader's vision and decisions is irrelevant if he or she is unable to explain them clearly and inspire teamwork.**

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“Communication is considered a soft skill,” explains, Diane DiResta, author of *Knockout Presentations*. “But it has bottom line impact”.

And so we begin an important series on effective communication skills. The series will provide you with the basics of effective communication — verbal, non-verbal, media, public speaking, group, one-on-one — and we'll show you where you can get professional guidance and training.

It cannot be emphasized enough. A business begins with the vision of the owner/leader. That vision must be clearly and artfully articulated to the employees, customers and marketplace in a manner that is engaging and clearly understood if it is to be successfully executed.

In a leadership position, the chief's prime responsibility is to get things done through and by other people -- clients, colleagues, peers, employees. The quality of the leader's vision and decisions is irrelevant if he or she is unable to explain them clearly and inspire teamwork.

Communication, therefore, is the business owner's most valuable tool. Powerful and effective communication skills help the leader showcase his competence and confidence, gain the necessary cooperation and motivate others to buy into ideas and vision.

The ability to communicate with more impact is a skill that can be developed by almost anyone in the right learning environment. In today's fiercely competitive marketplace, one mixed message can mean thousands of dollars down the drain — a lost client or employee. One powerful presentation can add meaningfully to the bottom line.

For now, consider the messages that you deliver each day. Are you inspiring optimism? Authenticity? A culture of positive action? Productivity and performance? ☐

*Jill Chernehoff contributed her expertise to this article. With an extensive media background, she now consults in the areas of public speaking, media communications and presentation skills and can be reached at [www.chernehoffcommunications.com](http://www.chernehoffcommunications.com).*

*Diane DiResta also contributed her expertise to this article. Diane consults in the areas of presentation skill, interpersonal communication, and media training and is the author of *Knockout Presentations: How to Deliver Your Message with Power, Punch, and Pizzazz*. She can be reached at [www.DiResta.com](http://www.DiResta.com).*

*This article is the first in a series on Communication Skills for the business owner.*

> This issue: *Communication Skills: A Must-Have for the Business Owner*

Sept-Oct 2005 issue: *Business Owner as Chief Communicator*

Nov-Dec 2005 issue: *Message Crafting*

Jan-Feb 2006 issue: *Non-Verbal Communication Skills*

Mar-Apr 2006 issue: *One-on-one Communication with a Client and Prospects*

May-Jun 2006 issue: *Public Speaking: Free Publicity and Instant Credibility*

Jul-Aug 2006 issue: *Communicating with the Media*

Sept-Oct 2006 issue: *Communicating During Crisis Situations*

Nov-Dec 2006 issue: *Dealing with Difficult Employees*

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**Just as a child looks to the parent for clues as to whether to be excited, fearful, or non-plussed, your employees look to you for what is and what is to come.**

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**“When you find yourself speaking negatively about things and others, you're suffering from low self esteem.”**

*Rick Pitino*

# Execution: *The Discipline of Getting Things Done*

**Execution** (ek si kyoo shun), n.

1. the process through which goals become achievements
2. a means for turning strategy into reality.

Planning is a waste of time without execution. Ditto for strategy.

Execution is a systematic process of rigorously discussing hows and whats, questioning, tenaciously following through and ensuring accountability, according to Execution. It's a systematic way of exposing reality and acting upon it.

Let's face it. Most companies don't face reality very well. That's why they can't execute. Messrs. Bossidy and Charan assert that execution is the great unaddressed issue in the business world today. It's a discipline that is relatively unexplored. But in this fast-paced world of change, the only way to survive is to adapt and, well, change. We change by addressing reality. By laying out a plan for future success and executing the plan effectively.

Great companies are great at both planning and executing. That is, they make achievable plans and do the work necessary to turn them into accomplishments. For these achieving companies, planning and executing are a part of what they are. It's a part of their culture. It's how they do things. If you want your company to grow and succeed, you must build a culture of execution.

It starts with the leader. An organization's ability to execute, or the effectiveness in which it executes, is set by the leader. An organization can execute only if the leader's heart and soul are immersed in the company. That's because execution requires a comprehensive understanding of the business, people and competitive landscape. The leader is the only person in a position to achieve that understanding. And only the leader can make execution happen, through his or her deep personal involvement in the substance and details of execution.

In summary, the leader controls the three keys to getting things done:

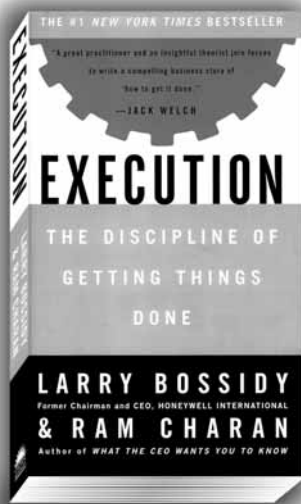
1. **Culture:** Establishing the intra-company environment and how business is conducted.
2. **People:** Picking the right people and getting them in the right positions.
3. **Strategy:** Establishing how the strategic direction of the company is set and reviewed.

A culture of execution is one in which the following exist:

- **Truth:** All employees in the organization seek out truth — truth in the competitive position of products and services;

competitors; changes in the marketplace; resources; capabilities of persons and the organization, etc.

- **Courage:** All people have the courage to acknowledge truth (reality) and the resulting implications.
- **Trust:** All employees trust that they are safe to honestly and factually express their feelings, beliefs, opinions and suggestions.
- **Participation:** All employees participate in discussions of what the realities are and what strategies make the most sense for the company.
- **Personal Responsibility:** All employees are willing to accept individual responsibility for their piece of the overall plan.
- **Reward the Achievers:** All employees know that execution is what is needed from everyone, and those who execute skillfully will be rewarded.



In establishing a culture of execution, the leader sets the tone by asking the tough questions that everyone needs to answer.

Then, the leader manages the process through which the information is debated and decisions are made.

Only the leader can set the tone of the dialogue in the organization. Dialogue is the core of culture and the basic unit of work. How people talk to each other absolutely determines how well the organization will function. Is the dialogue stilted, politicized, fragmented or butt-covering? Or is it candid and reality-based?

Through robust, open and honest dialogue, the organization can set realistic goals. It is important for these goals to be set by the group, in a group setting. The group must also ask what human, technical, production and financial resources are needed to execute the strategy. Can the strategy be broken down into doable initiatives? Has everybody agreed to what can be done? Will be done? Who will do what? How successes and failures will be shared? □

**“The desk is a dangerous place from which to see the world.”**

*John le Carré*

# John Groll, Groll Ornamental Iron Works

In 1932, John Groll's grandfather opened the doors to Groll Ornamental Ironworks. Eventually, John's father took over the business and John began working in the business at the ripe old age of 10. However, he had no desire to take over the family business.

"I went to Penn State Business School for Transportation," said John Groll. "Upon graduating I worked eight years in the trucking industry as dispatcher, office manager and supervisor. Then, in 1980, the trucking industry was deregulated ... and to be honest, it just wasn't much fun anymore. I left the trucking business in 1982."

Groll found himself right back where he started at Groll Ornamental. He took the jobs of salesman and installer. "Our main business is to fabricate railings," explains Groll. "We concentrate mostly on residential railings for new homes."

Groll says he is best at sales and design. When he was working under his father, he spent all his time selling and designing. Eventually, his father was ready

to retire and John became the third generation owner of the family business.

"There's not much fun in owning the business," says Groll. "It was a lot more fun when I worked for my dad. When he left, I suddenly had to worry about all of the financial aspects, paperwork, insurance and so on. That part of my job isn't as much fun for me."

"I have four employees," says Groll. "I do the selling and measuring, then I give the specifications to the guys in the shop. When the job is done, I do the installing. I spend about 50 hours a week at work, and then I spend another couple of hours a night going over the books. On average, I work about 60 hours a week."

In working hard to improve the business, Groll says the smartest thing he has done is purchase equipment that is adaptable to their specialty of custom work. In addition, he feels optimistic about the future of the business.

"As long as the interest rates stay low," says Groll. "And as long as they keep on

building houses, we will continue making railings for them."

Unfortunately, even though the business is strong, the fourth generation of the family does not seem inclined to want to take over the family business, so, looking ahead several years, Groll is not sure what to do with the family owned business.

"*The Business Owner* has helped me figure out some financial things," says Groll. "I've learned about taxes, retirement, transferring the business to another or selling it outright. I never really thought about selling the business when I retire, at least not until I read some articles about that."

But possibly the hardest thing John Groll has learned since taking over the family business is the fact that although he is technically the boss, he has many bosses.

"The employees want to be the boss," he laughs. "The customers want to be the boss. Everybody wants to tell me how to do it because they all think their way is the best." □

## REAL ESTATE

# Questions to Ask Before Signing a Real Estate Lease

Before you sign a real estate lease, investigate the landlord — his or her reputation for good management, fairness and financial condition. Also, speak to other tenants to determine how happy they are with the building, its location, their leases, and the landlord.

*The questions to ask:*

- Will the lease be on a "gross" basis (the landlord pays for taxes, utilities, insurance, etc.) or a "net" basis (the tenant pays for these expenses)?
- What is the rentable versus the usable space? i.e., the square footage you will be paying for but not using?
- Who will pay for alterations and repairs prior to moving in? They will be your responsibility if the lease specifies acceptance of the property *as is*.
- Is there a renewal option? For how long and at what rate and terms?
- Do you have the right to purchase the facilities? If so, at what time and on what terms?
- Can you get out of the lease? If so, how much written notice is required? Penalties?
- Do you have the right to sublease the property or assign the lease agreement to another party?
- Are there step-up provisions in the rental amount? If so, how often and how much?
- Are security deposits held in an interest bearing account?
- Can you use the property for *any purpose* or is it restricted? For example, are there any non-manufacturing and non-disturbance clauses in the lease?
- Could existing or planned building code, zoning, or infrastructure changes restrict your ability to operate and expand?
- Is there adequate parking for you, your employees and your customers? Free or for an extra fee?
- If you can't use the premises because of damage or a disaster, do you have to continue paying rent?

The above items are negotiable and they will materially impact you during the full term of the lease. Invest the same care in negotiating a lease as in negotiating any other business agreement. Know all your options and costs. □

## Outsourcing: Essential for Private Businesses Small and Large, continued from cover

In other words, “What functions should a business outsource?”

The generally accepted answer today is: all “non-core” functions. By non-core, we mean all that are not critical to the unique value that you and your firm provide. For example, to a talented artist, his artistic creations are “core” to his value engine. He gets paid for his creative work. Every minute he spends on non-core activities, such as printing, mailing, bookkeeping and technology, he is losing money. He should utilize outsourced experts to get the non-core necessities completed.

In addition to the core/non-core question, you should ask, “What functions of my business might I be able to get someone else to do and thereby lower my cost and/or improve the results?” Bookkeeping is a logical one, as is “rent a CFO.” By getting a part-time “rental” CFO, the business owner often finds that he or she gets much more of what he or she needs (good financial data), at a very reasonable cost, and is freed to work where he or she is best able to contribute meaningfully.

Another angle to consider is outsource the things that lie outside of your passion. We all are better at things that are interesting to us (if not passionate about). What in your business is drudgery to you? Maybe by outsourcing to someone who IS passionate about that type of work everybody can win.

Areas to consider outsourcing:

- printing, collating, binding and mailing (on demand)
- tax preparation
- fulfillment (mailing)
- CFO/financial management
- computer maintenance
- hiring/employee selection (the initial 80 percent)
- bookkeeping
- manufacturing
- payroll
- maintenance
- employee benefits
- personal bills, lawn care, house cleaning, auto repair, etc.
- travel bookings
- sales and marketing

- creative (materials, website)
- editing/proofing.

### Finding Outsource Providers

Once you identify a function of your business that might be an outsource candidate, consider the type of person or firm that might be ideal for the job. For example, D. L. Perkins, LLC — the publisher of this journal — prefers to outsource to individuals (as opposed to companies) whenever possible. This is because individuals will often place great importance on their relationship with our company and this gives us a higher level of service than a larger organization that has many clients — some of whom will be much larger than us. Also, individuals will often charge a lot less than companies. The downside is that when an individual becomes unable to perform, you’re stuck. So, you must have replacement options readily available.

D. L. Perkins, LLC uses home-based individuals for editing, research, newsletter layout, website development and conferencing. It works great.

*continued on next page*

## Outsource Options

### Print, Bundle and Mail Your Information Materials

— **On Demand:** The regular mailing of information is burdensome for many small businesses. Consider a print-on-demand service, like Mimeo.com. Log onto the Mimeo.com web site, open an account and simply use a browser to: 1) upload the documents that need to be printed; 2) select your type of paper, binder type, tabs, etc; 3) proof finished documents online, in real-time; 4) stipulate who should receive a copy of the package, and how many; and 5) store and share documents in a digital library for quick reorders.

Lisa Copass, a public relations consultant, uses Mimeo.com to print, assemble, bind and ship press kits that can reach 100 pages. She says, “We’ve cut time spent on documents by 80-90%.”

### Employee Payroll and Benefits Administration:

Small- and mid-sized firms spend a lot of time and money on the administrative burdens of having employees. Professional Employer Organizations (PEOs) are a compelling option for outsourcing this entire burden. PEOs, such as Odyssey OneSource, assume responsibility for meeting payroll and paying the appropriate taxes and administering benefits. Your employees thereby enjoy the buying power of the larger organization, and have access to large-company benefits such as health care, retirement savings, etc. The workers compensation and unemployment insurance rates are also that of the PEO! By

outsourcing to a PEO, your costs may not decline but you’ll get more for your money.

### Instant Conference Calls and Web-Meetings:

Traveling is incredibly expensive and time consuming. Technological advances have vastly expanded the quality and quantity of alternatives. First, telephone conference calls are now cheap and it is incredibly easy to get multiple people on a single phone line. Just contact Webex.com for your call-in numbers and pass codes, which you give to whomever you wish to participate in a call. Don’t stop there, however, as you can have those same callers log onto a website that displays your presentation materials (which you load onto the site in advance). You can direct the viewers using pointers, discuss issues just as an in-person meeting, and utilize various tools for confidentially obtaining feedback and questions from attendees if you wish.

**Payroll Processing:** Get rid of the burden of payroll processing. Companies like ADP (Automatic Data Processing, Inc.) will do it for you so you can focus on running your business. This is a no-brainer. The basic service includes the

calculating of and distribution of paychecks (hard copy or electronic debit); calculating and paying withholding and employment taxes; preparing and distributing W-2s and 1099s at year-end; and handling employee payroll inquiries.

Don’t underestimate the value in outsourcing responsibility for correctly calculating and paying, in a timely manner, payroll taxes. Business owners regularly get into trouble in this area. By outsourcing, you almost guarantee that it is correctly and fully handled.

**Background Screening:** It’s the people that make a business perform. The quality of the business is the quality of the people. You must hire well. Clearly, this is a tough task to master. Fortunately, there are firms that can help. For example, HireRight.com will perform background checks, drug screenings and assessment services to give you the information that is not evident in the resume or provided voluntarily during interviews. HireRight’s mission is to “empower businesses with the information they need to hire qualified individuals while ensuring safe and secure workplaces.”

**“Do what you do best and outsource the rest.”**

*Tom Peters, In Search of Excellence*

## STRATEGY

**Outsourcing: Essential for Private Businesses Small and Large, continued from previous page**

Individuals can be found through general internet searches; postings on [www.guru.com](http://www.guru.com); searches at [www.iavoa.com](http://www.iavoa.com); classified ad placements; and via networking through existing employees, service professionals and friends.

Outsourcing to organizations is better for services that are more complex, mission critical or risky projects. Clearly, payroll processing, employee leasing and some technology services are better outsourced to professional organizations that have a stable track record. Finding these firms is a matter of talking to peer groups, such as at your trade association conference, and searching the internet for candidates.

D. L. Perkins, LLC uses a well-established and bonded company for the printing and fulfillment (labeling and mailing) for our newsletter and handling of the confidential mail lists.

### **Assessing the Viability of an Outsource Option**

Clearly, any outsource option must be analyzed for feasibility. For large projects, such as manufacturing, the cost analysis can be cumbersome. It entails obtaining quotes from outsource candidates and carefully considering all costs associated with the outsource option. Then, one must compare this with the costs incurred when fulfilling the function in-house.

Direct and indirect costs must be included. When you are comfortable with your analysis, you must then consider the quality, risk and intangible dimensions of the decision. Keep in mind that if the outsource effort fails, you can always bring the function back in-house.

In summary, the pressure to improve productivity is tremendous today. Outsourcing non-core functions is becoming an increasingly popular strategy for reducing cost, improving quality and allowing you to focus on the value-add components of your business. The benefits are substantial. In fact, we believe that outsourcing is no longer an option for business owners, but an imperative. □

## EMPLOYMENT LAW

# Independent Contractor or Employee?

The use of independent contractors, as opposed to employees, has many benefits ... including the avoidance of payroll costs, unemployment, benefits, Social Security and Medicare. Unfortunately, the IRS is well aware of this ... and of the desire many business owners have to classify as many of their employees as possible as independent contractors. Therefore, high on the tax auditor's checklist is whether or not your independent contractors actually qualify for such status. If your contractors are found to be, in fact, employees, you could be assessed back taxes and sizeable penalties. Here are some of the guidelines the IRS uses to distinguish:

**Characteristics of an Independent Contractor:** Paid for a specific job; sets own hours; may work for others; hires own support staff; offers services to the general public; furnishes own tools; can earn a profit or have a loss; establishes the order and sequence of work; may perform work elsewhere.

**Characteristics of Employee:** Relationship with employer/customer is ongoing; follows instructions; works for only one employer/customer; no risk of financial loss; receives reimbursement for expenses; is trained by the employer; is an integral part of the business' overall operation; can resign without risk of penalty or liability.

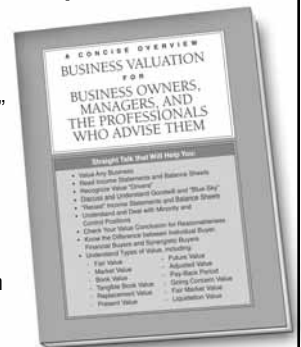
The following might bolster a case that workers are justifiably treated as independent contractors:

- Your company has consistently treated the worker and similar workers as independent contractors.
- You have filed all the required forms.
- You have some reasonable basis for treating the worker as independent contractors, such as rulings or court cases, industry-wide practice or because prior tax auditors had never questioned the practice. □

## A CONCISE OVERVIEW BUSINESS VALUATION FOR BUSINESS OWNERS, MANAGERS, AND THE PROFESSIONALS WHO ADVISE THEM

### Straight Talk that Will Help You:

- Value Any Business
- Read Income Statements and Balance Sheets
- Recognize Value "Drivers"
- Discuss and Understand Goodwill and "Blue-Sky"
- "Recast" Income Statements and Balance Sheets
- Understand and Deal with Minority and Control Positions
- Check Your Value Conclusion for Reasonableness
- Know the Difference between Individual Buyer, Financial Buyers and Synergistic Buyers
- Understand Types of Value, including:
  - Fair Value
  - Market Value
  - Book Value
  - Tangible Book Value
  - Replacement Value
  - Present Value
  - Future Value
  - Adjusted Value
  - Pay-Back Period
  - Going Concern Value
  - Fair Market Value
  - Liquidation Value



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# Five Keys To Maximizing The Effectiveness Of Your Website

A website can be a key marketing tool for almost every type of business. From flash pages and music to video and pop up cursor messages, website design and structure options are limitless. However, have too many entrepreneurs and CEOs lost site of the fundamental marketing mission websites serve? Have bells and whistles replaced message and branding?

“The bottom line — websites should serve as a way of introducing, supporting and building loyalty for your business,” says Allan Gorman, author of the new book, Briefs for Building Better Brands. “As the Internet’s influence on society has increased exponentially, a website can no longer be just a corporate brochure or shopping flyer as it used to be in the ‘old days.’ It must be a tool to brand your product or service.”

Gorman offers tips for companies to achieve maximum marketing value from their websites:

- **First (page) impressions matter most** — Branding begins before the first page of your site loads. Does a visitor have to wait too long for your flash animations to load? Are the clips useful for telling your story or just gratuitous pieces of art that say: “See how cool I am?” Is the first page designed to load efficiently for all connection speeds?
- **Ease of use equates to a pleasant visiting experience ... and marketing effectiveness** – We’ve all visited websites which seemed impossible to navigate and which bred instant confusion. Does your website use all the trendiest fashion, styles and web tools at the expense of legibility and clarity? Or, is it pleasant to look at, easy to understand and easy to navigate?
- **Give people a reason to return** – Website “stickiness” is important, but giving people a reason to want to return is even more essential. See if you can create relevant and interesting self-assessments, puzzles, surveys or tests that will make their experience educational and interactive — and that relate to your products and/or services.

- **Provide essential information for your customer** – This sounds simple enough, but take some time to visit various websites and you’ll find accessing basic information isn’t always easy. Regardless of the type of business, every site should include: a clear explanation of your product or service, highlights that make it unique, success stories/case studies, endorsements, and contact/order information.
- **When designing a website, pretend you’re giving a website visitor a tour of your office or plant to impress them** — What do you think they’d want to see or know? In what order does it best make sense to present this information? How can you keep them interested and make it fun?

“The power of the web as a psychologically powerful influencer is often overlooked by businesses,” adds Gorman. “A company website should be consistent with all marketing materials, and focus on introducing, supporting and building loyalty for your brand.” □

*Allan Gorman’s company, Brandspa, specializes in crafting effective marketing and branding strategies for small to medium sized companies, so that even firms with limited budgets can attain status as the leading brand.*

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