

# E-Center News

Fall 2005

## Recent Events

### Loan Clinic

For one week in July, the Entrepreneurial Center in conjunction with the Small Business Administration (SBA), the JSU Small Business Development Center (SBDC), and the Service Corp of Retired Executives (SCORE) hosted an SBA loan clinic. At this clinic, business owners and those who wanted to start a business were given the opportunity to apply for working capital loans from \$5,000 to \$25,000. During the course of the week, about 75 people came in to apply for a loan or wanted to learn more about the loan programs offered.

Three different loan programs guaranteed by the SBA were the focus of the loan clinic. Business loan express is a loan in which start-ups and existing companies can apply for up to \$25,000; Innovative Bank applicants can apply for up to \$15,000; and for those already in business for 24 months—Capital One offers up to \$50,000. All of these loans require no collateral.

The Entrepreneurial Center is an approved Technical Assistance (TA) provider for the Business Loan Express Program and the Innovative Bank program. Capital One applicants can apply on-line.

For start-up and existing companies that would like to apply, please call us at 831-5215 to make an appointment and we will be happy to assist you with any of the three loans mentioned above.



David Leonard of the Alabama SBA office speaks to a group of prospective applicants during a session of the loan clinic.



SCORE member, Tom Coleman, works the registration desk for the loan clinic.



## **Time to GRADUATE!**

How many industries that you know of require its best customers to leave? Well, in the business incubation industry, we do just that. Our two latest graduates are Banks & Head Agency and DELCOM Services. Both are planning to relocate in mid-October to other facilities.

**Banks & Head Agency, Inc.** is a manufacturer's representative firm that sells plumbing, heating and cooling supplies to wholesalers. They represent approximately fifteen manufacturers and sell to customers in Alabama and the Florida panhandle. They entered the Entrepreneurial Center in 1998 and are moving into a 1,700 square foot custom-built office to accommodate their employees and showroom samples.



Pictured above are Richard Banks and Andy Head of Banks & Head Agency



Dave Lindquist is presented with a plaque by Giles McDaniel

**DELCOM Services, Inc.** was the Center's very first tenant company! An entrepreneurial amoeba of sorts, the company has changed as it has identified business opportunities. Currently the company designs and hosts websites and contracts with the Auburn Canine Center in placing dogs trained in drug and bomb detection. The company will be locating at McClellan to pursue business opportunities with companies located there.

# Common Pitfalls of Small Businesses

**The following information is from Intuit's QuickBooks newsletter which we thought you would find informative**

1. **Ignoring the financial side of your business.**

Your business exists to make money. Don't neglect to learn about and keep tabs on this important part of your business.

The number one pitfall I see over and over is that the owner does not pay enough attention to the financial side of the business. Many owners seem to feel that as long as there is cash in the bank, they are doing well, and they don't look beyond that. These are the owners that are usually surprised when they go to the bank to get financing and find out that they are not doing as well as they thought, or may be surprised at the end of the year that they did much better than they thought and are scrambling to come up with the money to pay their taxes. The lack of attention to financial details can also encourage the not-so-honest employee to take advantage of their employer and find ways to steal money or other assets from the company. Finally, it is very difficult to position a company as a competitor in the marketplace if the owner does not have a good feel for the pricing structure needed to stay competitive, yet still cover their costs and generate a good return.

-Inga Arendt

2. **Failing to estimate demand for your product or service.**

A little research can go a long way. If you have seasonal highs and lows in your business, for example, include that projection in your business plan.

3. **Undercharging for the products or services you sell.**

In your business, you make the rules. Don't sell yourself short by failing to understand what you can charge, what your competitors charge, and your own "burn rate." Also, low prices may give your potential customers the idea that what you sell is of lower value than what your competitors sell.

4. **Trying to do it all.**

When you own the business, it seems like everything falls on your plate. Know your own strengths and limits, and don't burn yourself out by trying to do it all.

"The most common problem I see with my small business clients is that they try to do it all themselves. In the beginning, this is how it's inevitably going to be, when a limited budget means that staff and important outside resources are luxuries. But as the business grows, you cannot continue to do all tasks. There will come a point when you become inefficient, and won't have enough time to complete everything in a timely manner or in sufficient detail. Adding staff — either full time or on a per diem basis — will no doubt increase your costs, but you'll be surprised at how much time you'll save. You'll free yourself up to do what you do best: getting new business in the door."

— Leslie Capachietti

5. **Skimping on legal, accounting, banking, and insurance advice and services.**  
When your business is at stake, don't buy cheap. Paying a little more for professional advice in the beginning can save you money down the line.
  
6. **Setting up the books incorrectly.**  
There's just no substitute for good bookkeeping. Protect your business from unnecessary risk by ensuring you've taken this important step.
  
7. **Ineffective marketing — or none at all**  
What the old adage "If you build it, they will come" left out is, "Just be sure to tell people that you built it, and clearly mark the road to it, so they don't get lost on their way there."
  
8. **Avoiding the tough decisions.**  
If you find yourself between a rock and a hard place, gather the information you need from your trusted network of advisors and your financial data, and make the tough decisions. When you're the boss, that's your job.
  
9. **Not defining jobs well, or not finding the right employees to do them.**  
Don't be careless about hiring employees to grow your business. Finding the right employee to do the right job is key to your success — and your sanity.

"High employee turnover is costly, both emotionally and monetarily. But many small business owners don't take the time to really think through the specific jobs they need to hire for, or to define the skills they need from the employees they hire to do them.

10. **Not respecting your employees.**  
Your employees are a big investment for your company. Don't damage your return on that investment by treating them poorly.

"Some business owners have the attitude that their employees are good for one thing only: to increase the business owner's wealth. That's a recipe for bad relations. If you're going to hire employees, adopt the attitude — and make it clear to your employees — that if everyone works together, you'll all share the rewards. Granted, the owner is taking on the risk and providing the leadership, so the employee share of the reward is less, but this attitude builds a committed team. And a team can achieve more than the business owner alone might have ever imagined."

— Bonnie J. Nagayama

11. **Trying to borrow from the government.**

You may find yourself without enough funds to pay all your bills on time. If so, stick to the advice below: Pay the IRS first.

"The IRS is NOT the creditor to skip paying. If you fail to pay your payroll taxes on time, you can incur huge penalties. I urge all my clients to be careful about late payments or filings. I've seen small businesses choose to pay another creditor over the IRS to get stock they need in the short term. And it's true, it may take months — or even years — before the IRS decides to collect the unpaid payroll taxes. But when it does, the costs can be considerable. Penalties add up quickly. If you are more than a year late filing and paying, you may end up owing almost as much in penalties and interest as the original tax amount. The IRS has great powers to collect. If you owe trust funds (amounts withheld from employees' paychecks) the liability cannot be forgiven, even in bankruptcy. The IRS can shut down your business and sell off your assets in order to get their money."

— Ruth Gitzendanner

**Please visit the links on this site for more information about the Entrepreneurial Center or contact us at (256) 831-5215.**

Special Thanks to James Haynes of MedResource for sponsoring Entrepreneurial Center employee Jennifer Williamon in this year's Leadership Calhoun County (LCC).