

E-Center News

Summer 2005

Two in a Row!

The Calhoun County Chamber of Commerce has awarded its Small Business of the Year Award for two years now. For each of these years, the winner has been a graduate of the Entrepreneurial Center.

This year's winner was James Haynes, founder and President of MedResource, Inc. The company's primary business is the remanufacture of capital medical equipment. The company purchases equipment that has been fully depreciated by hospitals and physician's offices and brings it back to its original state. MedResource then resells the equipment at a substantial cost savings to its customers. The company also brokers new equipment and maintenance parts.

In 1997, James Haynes started the business in his garage. In 1998, MedResource moved to the Entrepreneurial Center in Anniston. The business grew to occupy 8700 square feet and had 4 on-site employees. In 2002, the company graduated from the Entrepreneurial Center and purchased a 50,000 square foot facility in Piedmont, Alabama that had been vacant for several years.

Last year's winner was Randall Rigsby, owner of Altex Packaging, a manufacturer of corrugated and specialty packaging products and 2001 graduate of the Entrepreneurial Center. Altex now employs 55 people in all its operations.



James Haynes (left) of MedResource, Inc. winner of the 2005 Small Business of the Year and Randall Rigsby (right) of ALTEX Packaging, Inc winner of the 2004 Small Business of the Year. Both were previous tenants of the E-Center.



E-Center tenant CD Covenant Distributors, Inc. were also nominated for the 2005 Small Business of the Year. Pictured above are Pam Dunn (left) and Sharon Cash.

The following AWESOME Newsletter is from Wayne State University (WSU) in Michigan. We know you will find this information valuable.

Small Business Resolutions

Here it is summertime. Time to clean out the cobwebs from your brain and commit yourself to obtaining the business success that you deserve. I'm not so naive as to believe you'll implement all of these ideas. My goal is to identify areas you could consider in hopes that you'll be motivated to work on some of them. Good luck and let the excellence begin.

Resolution #1: I resolve to focus more on financial operating fundamentals.

Business owners must always be diligent in the financial management of their business. There are too many financial operating fundamentals to list all of them, but here are a few critical examples:

- Understand the difference between cash flow and accounting.
- Stay closer to your Accounts Receivable aging report.
- Become one with your expense management and Accounts Payable.
- Learn to calculate your A/R days and A/P days, understand their relationship to each other, and how that relationship affects your cash and capitalization requirements.
- Track your sales-to-expense ratios as the fiscal year progresses so you know if, when, and how much you should adjust spending.
- Stay close to the quantities, line distribution, and age of your inventory.

Even if you've hired someone to manage these areas on a daily basis, remember this: You cannot delegate the ultimate responsibility for your business's financial performance. The financial "buck" stops at your desk.

Resolution #2: I resolve to do a better job of managing my company financially with regular and accurate financial statements.

One of the most dangerous conditions in the marketplace is how few small businesses fail to produce regular (preferably monthly, but at least quarterly) profit-and-loss statements and balance sheets.

If you've just been indicted as a member of this imperiled group, and if the only financial reports you have are the records you get once a year with your business's tax return, then managing your business with that information is like making a salad with 15-month old lettuce. In either case, what you're working with is rotten.

There is NO EXCUSE for EVERY small business not to be producing and managing with current numbers - these programs cost as little as the price of a dinner for two and anyone can learn how to use them. The direct benefit is the ability to manage your business with fresh numbers. The indirect benefit is you'll slowly but surely become a more professional, effective, and successful manager.

A business owner who doesn't use a computer to collect, track, and manage his or her business's financial information is like someone eating a meal with their fingers when they know that knives and forks have been invented.

Resolution #3: I resolve to learn more about what my financial records are telling me and, armed with that valuable information, manage my business more effectively.

Now that you've made a commitment to manage with current financial information, and have created your financial records, what do you do with them?

If you're worried that accomplishing this resolution means you have to become a bookkeeper or accountant, stop worrying - it doesn't. But successful business operators must at least understand the flow of the financial components of their business and their relationships to each other.

I believe business failures could easily be cut in half if anyone wanting to become a business owner were required to pass a course that taught the basics of the relationship between cash flow and accounting and how to read and understand financial statements.

If sales are up but you're out of cash, do you know how to find out why?
Look on your Balance Sheet at what is probably a steep increase in Accounts Receivable.

Do you know where the first place to get an early tip that inventory may be creeping up?
It's likely in your Gross Profit Margin, right there in the middle of your P&L statement.

Do you know where to find why you're not profitable even though you know you're maximizing margins and watching payroll? The answer may be hiding in some of those annoying P&L line items like "Bank charges" and that insidious "Miscellaneous" account.

If you didn't know the answer to these questions, let me tell you how you can solve that problem: Do Resolution #2 EVERY month. If you build and use your statements, the understanding - and the excellence - will come.

Resolution #4: I resolve to establish a budget for every expense line item on my operating statement, and review budget vs. actual at regular intervals.

Just as there are many things small businesses could teach big businesses a thing or two about, there are also things we can learn from the big guys. Budgeting is one of those things.

Ever wonder how an international conglomerate keeps track of all of its billions of dollars? How do they make sure they know how much to spend in one of their thousands of divisions, departments, and installations? They do it by establishing budgets, giving each unit their piece of the budgets and requiring them to operate within those parameters.

Here's an interesting paradox: Big businesses use budgets because they have so much money and it's the only way to manage all their money efficiently. Small businesses should use budgets because we have so little money, and it's the only way to manage our limited money efficiently.

Resolution #5: I resolve to develop a capitalization strategy based more on retained earnings and less on debt.

As long as you're in business, every dollar of retained earnings is making you money because it's working capital that you don't have to borrow from the bank, or dilute your ownership with by taking in investors.

How do you retain earnings? It's very simple: employ a little old fashioned deferred gratification. Don't take all the profits out of your business for yourself.

If you pay your business now with retained earnings, it will pay you later by becoming your safety net during the inevitable period(s) of slow sales or other problems that can befall a small business. Nothing impresses a banker more than healthy retained earnings when you do need to borrow money. And a healthy debt-to-equity ratio will help you hit a financial home-run when you sell your business.

Resolution #6: I resolve to establish a relationship with at least two banks, and make sure at least one of them is a small independent community bank.

Every small business needs to have a relationship with at least two banks. The primary reason is because bankers are just like everyone else - they get promoted, change jobs, get fired, and yes, sometimes they die. And sometimes banks get sold or merge with other banks.

If any one of these things happens to the only banker who knows your story, then you've got a problem until you get another banker trained. And here's where fate rears its ugly head: those things that happen to your bank or banker will most likely happen when you need him or her the most.

The reason I think every small business should have at least one of their relationships with a small independent community bank is because typically, this type of bank will put more emphasis on your character and not everything on the credit score their computer spits out. Most small businesses wouldn't make it if someone at a bank didn't give them a way to demonstrate their character and give them credit for it. Only a person can do that. A computer cannot.

Resolution #7: I resolve to find out how my company's financial performance compares with that of my peers.

Every industry has its own rules-of-thumb for how much a business in that sector should be spending, and how much profit they should be making, all based on sales volume. There are ratios and percentages, produced by aggregating the financial statements of many businesses in a particular industry, for everything from payroll to payables, from inventory to interest, and from debt to deferred compensation.

Industries and financial institutions have been compiling and recording these indicators for so long, in such significant numbers, and at all levels of activity, that they are used every day by sophisticated managers as valid reference points from which to measure their business's performance.

They don't give it away, but it's not expensive. You can find these publications at your industry trade group, your local Chamber of Commerce, a public library, or your banker can help you

Write this in stone -The more you educate yourself on the financial fundamentals of business, the more you will seek financial excellence for your company. Along the way, you will become a sophisticated and successful manager of your business's financial performance, and you will like the performance trend you see.

CONGRATULATIONS!!



Pictured are the E-Center's First couple! Co-workers Yusuke Nakano and Robin Clayton of Changer & Dresser tied the knot in May. Congratulations and Best Wishes Yusuke and Robin!!

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

This newsletter is designed and created by your E-Center staff pictured below.....



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