

We Thought You'd Like to Know

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Entrepreneurial Management

How to buy your (next) business

Congratulations! You've had your first entrepreneurial success. You started a business, built it up, and sold it. Even better, you've successfully converted your proceeds (or a healthy part of it at least) into cash.

Now what?

You could retire to the golf links or the tennis courts or whatever you used to do for fun (and now could do again). But you didn't make that much money, or you'd like to live better than you did in the past, or you're already bored. In our experience it's likely some combination of the three.

So you need to do something to build your wealth further. Given your taste for running a business, and your apparent skill at it, the best idea is probably to start or buy another business. What's that? You don't ever want to go through the pains of a start-up again? Then it looks like you'll be in the market to buy one that someone else has started. OK, so what should you look for?

Here are 5 keys to picking that next business, created for a former client who was in exactly that position. They may be of value to you as well:

1. **Is it in the "right" area or industry?** Is it a business you personally want to be in, that you can get excited about, and that you can envision yourself running for the next 5 years? If you see yourself immediately looking for someone to run it for you, it's probably the wrong business.
2. **Is there real growth potential in it – for the industry as well as the business itself?** I don't mean it will grow as long as everything goes right. Everything doesn't always go right. Your goal is to add your expertise to a high potential environment to better the averages and thus enhance your return.
3. **Is it financially appropriate for your means?** Can you afford to buy it with the capital you are prepared to put at risk? Can it provide you an adequate ongoing income, or

The Speaking Circuit

Upcoming Engagements:

March 19 - Husqvarna Viking Convention 2000 in Columbus, OH. The Topic: "Dreams to Dollars—Your Time is Now!" In two back-to-back sessions, business owners from Viking's national dealership network will learn the value of mission statements, strategic planning and budgets in building a successful business.

Recent Engagements:

February 5 - American Polysteel, Inc. annual distributors meeting in Albuquerque, NM. The topic: "Dreams to Dollars— A Toolbox for Building Your Future." In a half-day session, participants learned how to apply planning tools to a rapidly growing business.

February 11 - National Speakers Association Western Educational Workshop in Burbank, CA. The topic: "Fast Track to Growth." Chapter presidents from around the country learned about a unique approach to raising revenues, membership and meeting attendance. ★

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New Client Report

Your High-Tech CFO for Rent

We have accepted three new assignments recently, in each case as part-time chief financial officer for a company that is leading edge technology-driven, venture-financed and growing dramatically. In each instance a permanent CFO will be in place within a year, in preparation for the next stage of growth and a possible sale or early IPO. In the meantime however, each company gets the advantage of senior financial management expertise in such key areas as:

- ▲ upgrading financial modeling, accounting and reporting systems for rapid growth,
- ▲ establishing good financial communication with directors and investors,
- ▲ making the right financial decisions in executive compensation, equipment financing, staffing, cash investments, banking, and more.

In the end we may assist in qualifying and screening candidates, and we will certainly smooth the transition for the new CFO.

Malibu Networks Inc. is developing next generation fixed wireless broadband access platforms that will provide the critical links for the enablement of the "Personal Broadband" era.

eteamz.com inc. is "your home on the web for the sportz we play," with free websites for players, coaches, teams and leagues, and tips and drills for players and coaches.

Word of Net is becoming the leading provider of customer acquisition, competitive analysis, and Internet direct marketing services.

For Malibu Networks, eteamz.com and Word of Net, we are Your CFO for Rent! ★

Entrepreneurial Management

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leave you enough savings to live on until it does?

4. **Is it (or will it be) appealing to outside investors, if you need them to finance future growth?** Internal financing is more profitable but usually slower. If your chosen business is in a fast-moving industry, e.g. anything technology-driven, internal financing may not be an acceptable way to build shareholder value.
5. **Finally and most importantly, is there something missing in this particular business that you possess and can put into the business, besides capital?**

Something like a specific skill or understanding, knowledge or insight that management doesn't currently have, and that will add critical value to the existing business. *Example:* their sales effort is inadequate and you are a top-notch salesperson.

Your challenge is to find a business that meets all of the above tests. Your search should be like a job search or a search for venture capital—it's a full-time job until it's done. There are too many folks looking for just such opportunities to casually "keep your eyes open," or to be unfocused in your search.

Happily, there are also many, many companies out there that have been started in the past few years, which have simply stalled. Typically their founders had a good idea, and probably have a good product, but they didn't have all the tools they needed, and may not yet have recognized the importance of bringing in outside resources.

If you find them first, and your timing is right, this could be even better than your last one. Wouldn't that be cool? ★

Sales Talk

Where does it hurt?

Whether you sell professional services or nuts & bolts, whether your customers are Fortune 500 companies or consumers, you still must identify what your prospect wants to improve, or what pain they want to relieve, in order to make the sale.

Scott Bailey, well-known Orange County licensee of Sandler Sales Institute, shared these key questions for getting your prospect in touch, at an emotional level, with the pain they want to get rid of.

1. What is the pain, and how do you uncover it? This is the interview process in which you discover what they may not know themselves. This is where you ask and listen, rather than try to sell.
2. How long has your prospect had the pain? If it's been around a long time, there may be no urgency to get rid of it.
3. What have they done in the past to fix this pain? Their answer reveals their thinking process, and how much importance they place on a solution.
4. Why hasn't what they have done in the past worked? Here you find out who else they've used, or what you're really up against, or how they themselves might be sabotaging the solution.
5. How much is the problem costing them or their company? This is critical, because it will help you and the prospect understand the value of a solution, and put your fee for solving the problem in perspective.

Assuming your prospect isn't fully aware of their pain, you may hear "an intellectual smoke screen" before you get to the actual pain. Listen for words like sick of, worried, concerned, frustrated, angry, afraid, etc. to know when you're hearing emotion, the driving force behind buying decisions.

As Sandler puts it, "Once your prospect realizes his or her pain, money is no object in finding a cure."

Excerpted from Sandler's Sales Strategies for Non-Selling Professionals program, (c) 1993, 1994 Sandler Systems, Inc. Scott Bailey can be reached for more information at 949-263-0640. ★

For your computers

Lowest price not always the best deal

Looking to install your first network or upgrade an aging one? We've had some experiences with a recent client assignment that we believe you should keep in mind.

The company had 3 Southern California plants to be connected, with a new business planning and budgeting system and a new system accounting to be designed and installed. Our job was to manage the installation of the business planning and accounting systems, and the client engaged another provider for the Wide Area Network (WAN) that would tie it all together. The WAN vendor provided the solution requested by the client (who had no previous WAN installation experience) and a price within the client's budget. The client signed the deal and the system was installed.

Our accounting system provider, Insync Consulting Group (www.insyncusa.com) arrived to begin their work and found several problems:

- ▲ No room was provided for applications to be installed on the file server (that is, one installation of a program, usable by all on the network), and in fact some programs had already been installed on local workstations, defeating one of the principal purposes for having a network.
- ▲ The setup options effectively prevented workstation users from even accessing the server to run applications or store data if they had wanted to.
- ▲ No backup of programs or data was taking place, and in fact the vendor hadn't even provided the backup tapes that were supposed to be part of the installation.
- ▲ The equipment was physically installed in such a way that the air flow was not sufficient to prevent overheating and potential damage to hardware and data.

There was more, of course, and ultimately Insync got it straightened out. Shucks, you may say, this was clearly an unqualified vendor taking advantage of an inexperienced buyer. So what's the moral to the story?

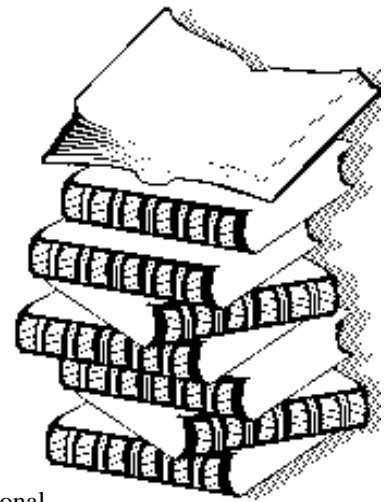
Most of us are inexperienced buyers

Management Development

10 Best Selling Business Books of 1999

If you like to keep up with your business reading, but only have time for a few top choices, this list from USA Today might be of interest. However, if you're looking for leading edge ideas for running your business, you'll likely be disappointed. You'll note that this year's list is heavily weighted to personal finance rather than business (7 titles), two of them are from the same author (Suze Orman), and one is the annual re-release of an ageless classic on job hunting, indicating business professionals' continued high interest in mobility. Thus the "10 Best" list boils down to the "3 Best," shown in bold italic for easy reference:

1. ***The Millionaire Next Door*** by Thomas H. Stanley & William D. Danko, Pocket
2. ***The 7 Habits of Highly Effective People*** by Stephen R. Covey, Fireside/S&S
3. ***Who Moved My Cheese?*** By Spencer Johnson, foreword by Kenneth Blanchard, Putnam
4. ***The 9 Steps to Financial Freedom*** by Suze Orman, Crown
5. ***The Courage to Be Rich*** by Suze Orman, Riverhead
6. ***Business @ the Speed of Thought*** by Bill Gates with Collins Hemingway, Warner Books
7. ***The Motley Fool Investment Guide*** by David and Tom Gardner, Fireside/S&S
8. ***The Ernst & Young Tax Guide 1999***, John Wiley & Sons
9. ***Rich Dad, Poor Dad*** by Robert T. Kiyosaki with Sharon L. Lechter, TechPress
10. ***The 1999 What Color is Your Parachute?*** By Richard Nelson Bolles, Ten Speed Press ★



when it comes to today's network technology. There are lots of new vendors in the marketplace, using price concessions and any-way-you-want-it claims to compete for your business. The cost of getting it right if you don't choose a vendor carefully can be serious delays, major inconvenience, and lots of extra cost. And that's the good news. Consider the potential damage to your business if data is lost, or corrupted data is sent to customers, regulators, bankers, and others.

The solution?

- ▲ Get qualified help in preparing a complete statement of your requirements before you go shopping.
- ▲ Make sure the "qualified help" doesn't expect to be a bidder so they're not tempted to guide the spec in their direction. Ideally, your CFO will have this expertise plus the knowledge of what you need.
- ▲ Invite bidders based on recommendations from associates who have experienced successful installations. Ask your outside advisors for their suggestions.
- ▲ Ask bidders to submit their proposals in writing, responding to each of your specifications so you both know exactly what is expected.
- ▲ Agree on a timetable for completion, how much or little your people must support the effort, and what after-installation support they will provide before the meter starts running. ★

Personal Stuff

Investment strategy for a new century

First, let me say that I am not an investment consultant, and this article was not ghostwritten by a stockbroker or investment advisor. However, it does represent the opinions of an individual investor who may perhaps spend more time looking at financial news, economic indicators and global trends than most folks do. You too may be an avid and experienced investor, and this is not intended to override your own good judgment or the advice of your investment counselors. The objective is simply to encourage you to look for opportunities where you might not have looked before.

Whither the economy? Inflation is miniscule, in spite of Fed worries to the contrary. Industrial productivity is at a 7-year high. Jobless rates are the lowest in 30 years, wage increases last year were about 3.7%, and unemployment claims were essentially unchanged nationally and down in California. The stock market, if the current correction is reasonable in depth (and you'll know that by the time you read this) holds the title of the longest bull market in recorded history.

The American century, as newscasters are fond of calling it, has ended with the high probability that technology will successfully carry us well into the next century. And all around us in this country are countless new ideas, new products, and new ways to improve our productivity, our profitability, and the quality of our lives. People will be drawn to these new ideas precisely because they promise new and better ways to live. And where people are drawn, corporate profits will follow. And that, in the final analysis, is what makes a stock market winner.

I believe that technology and the people who create it are the foundation of America's global economic advantage. Further, I believe they will continue to provide that advantage for the foreseeable future. I further believe that the investment policy of individual investors who are ultimately responsible for their own financial future, ought to recognize that reality and make investment decisions based on it.

In other words, most of us need to discard, or at least modify significantly, the old investment model of diversification that says you always divide your investments between stocks, bonds, real estate, gold, cash or whatever. That model seems to assume you make investments and then largely wait them out. A traditionally "balanced portfolio" keeps your losses down by keeping your yields down.

So you make investment decisions that are lower perform-



ing most of the time so you don't have to worry about them at other times. Of course, if your investment policy is simply to protect what you've already got, that may be the right course of action to follow. However, if you intend to seriously grow the value of your investments, I believe such a policy can be a costly mistake. The market goes up, the market goes down, sometimes a lot. But on balance and over the long term, the market goes up more than it goes down.

So then, here is my suggestion for a long-term investment model for a business professional with reasonable risk tolerance, and who is in their prime earning years:

1. Your home should be your primary, perhaps your only, real estate investment.
2. Invest 50% of what is left in well selected technology-based stocks or no-load mutual funds. The selection process is key here.
3. Invest 40-45% in other good equities, either stocks or no-load mutual funds. Again, selection is key, and balance within this segment is important.
4. Retain 5-10% of your investment assets in cash or short-term investments to enable you to take advantage of opportunities.
5. Devote at least a half hour each day to reading about your investments, being aware of new possibilities, and improving your investing skills. ★