



Business Ownership

# BIZ ADVOCACY

THE ADVOCATE VOICE FOR BUSINESS OWNERS



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## How To Compete With Wal-Mart & Win!

(First in a series of articles by Lou Kastelic, PBC)

The May, 2005, issue of Business 2.0 features an interesting account of how Costco, Dollar Tree, Save-A-Lot, and Dick's Sporting Goods have been able to compete so effectively against WalMart and other feared giants of retail. One major success secret of all these companies, according to Business 2.0, rests on an obvious wisdom: Each of them enjoys high marks from their customers and low turnover among their employees. Also apparent is that they all operate according to a business plan that is reviewed and adjusted regularly, another bedrock of success. Two of the most critical tools used in developing and refining a good business plan include an annual

appraisal of the business and a management that listens to its staff, customers, and the entire community served by the company.

The late Ray Reville of Reville Wholesale in Cleveland, Ohio formed his company during the late 1960's along with two of his sons. Their business, which began as a small wholesaling operation of automobile tires, is now known as Reville Wholesale and distributes virtually every auto part needed in the automotive aftermarket. It has revenues in excess of \$20 million per year and employs more than 160 people. Ray was known to have a favorite expression: "I learn from the

dumbest people." He never intended his comment to be insulting or haughty. It was more a statement of humility, pointing out that everyone is both a teacher and a student and we all learn from each other. Ray always had great respect for his employees, his customers, and the homeless to whom he donated food and clothing. He regarded all of these people as his teachers. This family-owned company still stands by Ray's philosophy and continues its successful operation.



## What Makes Successful Entrepreneurs?

Here's the short list, check your traits:

- Not afraid to fail
- Willing to swallow ego
- Basically unemployable
- Attracts quality friends
- Attracts quality associates
- Cultivated, not born
- More than charismatic
- Sees purpose in things
- Not a control freak
- Doesn't always win
- Learns from losing
- Not highest educated
- Thrives on stress
- Can turn stress off
- Drives debt down
- Drives sales up

Multiply the number of your checked traits: \_\_\_ by 6.25 and grade yourself: \_\_\_\_\_.  
Congratulations!

This is the second of a series of articles by Randall Oestreicher, Ph.D., PBC.



## Common Mistake #4: Going it Alone

For some Exiting entrepreneurs the transfer of business ownership is a one-time experience. Considering the tremendous monetary and lifestyle consequences that it has for both the owner and family members the need to get it right should be obvious. Those inclined to self help generally can't see the risks and limitations of going it alone. Costly, hard-dollar mistakes, and even outright failure, can be traced to an owner's inability to distinguish good advice from bad, an ethical professional from a self-serving "want-to-be", or simply an unwillingness to value and bear the cost of appropriate help that can

make all the difference.

**Suggestions:** Good, timely professional advice concerning current or future tax liabilities, avoidance of potential litigation, or negotiating the best deal – fair for all parties can save many thousands of dollars. Less tangible benefits can often be of equal or greater importance: peace of mind, a stable and lasting transfer to the right party, fairness to loyal employees, a timely transition to a desired future, and the avoidance of future litigation. Put together the best team possible. Seek and be willing to pay for good advice. Consider the services of a *Primary Business Consultant*

whose proven ability to work successfully with other professional advisors and understanding of the "big picture" will serve you well. Choose one who will represent you specifically in this process and most importantly will be your strongest advocate, assuring that you remain in control. Don't make the mistake of relying exclusively on a trusted advisor who doesn't have the experience, skills or temperament you need but who may hesitate to admit it because of your friendship.



AVOIDING THE  
COMMON  
MISTAKES  
IN EXITING  
BUSINESS  
OWNERSHIP



## Common Mistake #5: Misunderstanding Prospect's Needs

Often an Exiting owner completes negotiations only to discover that due to his tax situation he can't afford to Exit. Sometimes a creative solution may be quickly found. More commonly, the tax-bite issue either becomes a deal-killer or the anxious owner, afraid he will lose the purchaser, sees no choice but to pay.

**Suggestions:** Don't focus on expected price alone. Net, net, net is the issue. After getting a professional, third party appraisal, allow your *Primary Business Consultant* to consult a tax advisor early enough to identify tax strategies that will mini-

mize, defer, or possibly avoid a substantial tax liability.

**Warning:** If, after an appraisal and tax planning, it is evident that the anticipated net proceeds won't meet the Exiting owner's financial needs, do not make the mistake of adjusting up the offering price of the business. Rather than putting the business on the market at an unrealistically, high price to satisfy owner needs, engage the services of a *Primary Business Consultant* to legitimately increase the value of the business over the required period of time.



## Save Your Company Thousands

1. Take bids on everything.
2. Try bartering.
3. Pay early & take discounts.
4. Avoid lawsuits!
5. Use written agreements.
6. Extend credit carefully.
7. Save fuel, combine trips.
8. Compare credit cards.
9. Use all tax deductions.
10. Monitor petty cash.
11. Prune mailing lists.
12. Negotiate courier prices.
13. Put performers on commission.
14. Consider using interns.
15. Consider temporaries.
16. Consider leasing.
17. Shop for insurance.
18. Purchase used equipment.
19. Shop for software.
20. Use the Internet.
21. Network!
22. Shop for free advertising.
23. Use independent contractors.
24. Shop banking costs.
25. Prioritize your activities.



## Increase the Value of Your Business

**by teaching your employees to think like owners.**

- Teach employees the fundamentals of business and finance. They make mistakes because they don't understand the ramifications of their actions relative to financial performance of the company.
- Focus employees on the key operational and financial measures that create wealth.
- Do a financial trend analysis of your company and compare it to industry standards and face the truth of your findings.
- Create high visibility and accountability. Identify measuring standards and assign monitoring responsibilities. Forecast results against budget, not just historical data.
- Create incentive plans tied directly to financial performance. Teach employees that it must pay for itself, how they can drive it, and that it is *their plan!*
- Have fun...winning is fun! Teach employees how to win, and celebrate. Reward them when they do.

Adapted from Brad Hams, president of Ownership Thinking, LLC

## Protect Yourself From ID Theft

**Ken Salazar, U.S. Senator from Colorado**

- Do not use common numbers or personal information (birth dates, pet's/child's names, S.S. number, etc.) as passwords.
- Remove your name from pre-approved mailing lists of lines of credit. Call 888-567-8688 ("Opt-Out Program") to request your name be removed.
- Watch your mail. If you are to be away, have mail held at the post office, don't let it stay in your unlocked mail facility or unattended in your office.
- Pick up printed checks at your bank. Don't allow the postal carrier to leave them unattended.
- Safely file or destroy all credit card and ATM receipts immediately. Don't leave them unattended to be handled later.
- Write banks, insurance companies, and all other institutions demanding your information not be shared with any third-parties. Federal law requires them to honor your requests.

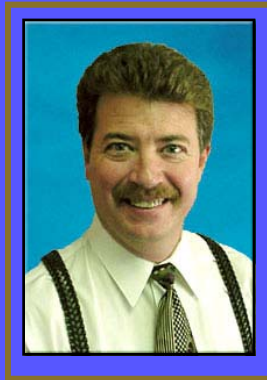




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## Comments from Appreciative Clients

I represented the seller in the sale of the business. Thank you for not only the excellent result in securing a buyer, as well as the very favorable price obtained, but also for your efforts in bringing the sale to closing. I would unhesitatingly refer any client of mine to you. A.G.S., Attorney



I would like to express my sincere thanks for your efforts in the acquisition of our business. You demonstrate the expertise and skill to navigate the very difficult process of business acquisition. Your clear vision of how to avoid pitfalls of buying a business has made you a trusted confident. G.M.



***"It is one of the most beautiful compensations of this life that no man can sincerely try to help another without helping himself.***

*Ralph Waldo Emerson*