

DOCUMENT RESUME

ED 059 460

AC 012 332

TITLE Workshop Guide for the Organization, Planning and Presentation of Keys to a Business Success (A Workshop for Prospective Small Business Owners).  
INSTITUTION Small Business Administration, Washington, D.C.  
NOTE 79p.  
EDRS PRICE MF-\$0.65 HC-\$3.29  
DESCRIPTORS Audiovisual Aids; Business Education; Evaluation; Glossaries; Guides; \*Industry; Instructional Materials; \*Management Education; Organization Size (Groups); \*Professional Continuing Education; \*Program Planning; Scripts; Worksheets; \*Workshops

ABSTRACT

The Small Business Administration (SBA) program of conducting workshops for prospective business owners was established to assist individuals in making a more careful analysis of what is involved in starting and managing a small business. This workshop guide discusses the following: Planning Workshops; Promotion; Workshop Procedures; Workshop Script; Handout Materials; Audio Visual Aids; Worksheets; Workshop Evaluation Sheet; and Workshop Glossary.  
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# WORKSHOPS

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# GUIDE

for the organization,  
planning and presentation of

# keys to a business

# Success

Workshops For Prospective  
Small Business Owners

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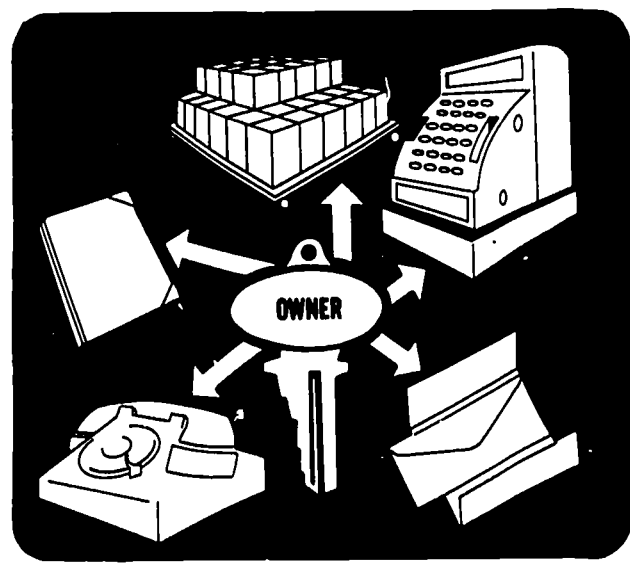
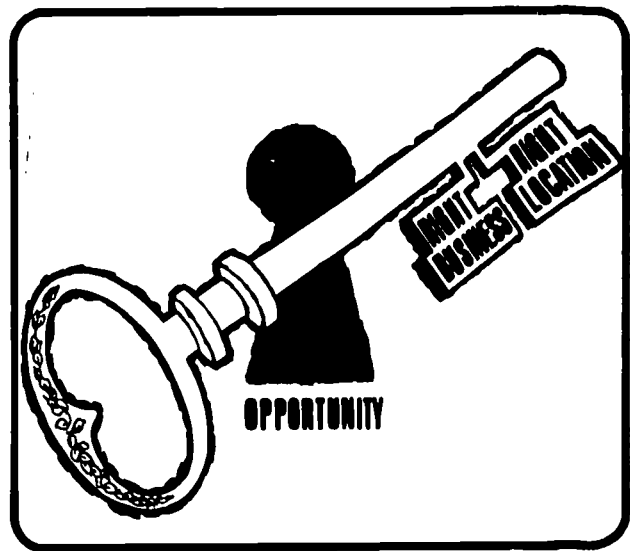
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## Small Business Administration



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FOREWORD \* \* \* \*

Each year growing thousands of individuals are participating in SBA's WORKSHOPS FOR PROSPECTIVE SMALL BUSINESS OWNERS. For many this is the one opportunity they have to get a feel for what it means to go into business for one's self. Often these few hours are decisive as to whether or not to go into business and how to run a business once it is started. Perhaps equally important, the workshops are one of the best means for making future small business people aware of the assistance available to them through the Small Business Administration. The rising importance of the workshops is an established fact.

Because of their importance and the opportunity they offer it is essential that participants make every effort to see that workshops are a continuing success. But even the best of material cannot assure a successful workshop without the talents and enthusiastic effort of all, not only in the presentation aspects of the program but also in the planning, promotion and proper administration of the workshops.

Therefore, we urge that you review and apply the practices suggested in the following WORKSHOP GUIDE. These principles added to your own ideas will go a long way toward making your workshops the useful presentations they deserve to be.

In addition to the WORKSHOP GUIDE you will need the master script, "Keys to a Business Success (A Workshop for Prospective Small Business Owners)"; a set of the workshop transparencies for the master script; the two motion picture films designed for the workshops, "A Case in Point" and "Three Times Three"; the Outline, SBA Form 592 (1969 revision); a supply of handout materials as shown in this Workshop Guide (Chapter VI); copies of the "Glossary of Business Terms"; an adequate number of the workshop Worksheets, SBA Form 593 (1969 revision); and a "Workshop Evaluation" sheet, SBA Form 920, for each participant. You will also need a set of "Key" placards for display with each of the workshop topics.

Chapter I

INTRODUCTION

1. Purpose of the Workshop Program

- a. The SBA program of conducting workshops for prospective business owners was established to assist individuals in making a more careful analysis of what is involved in starting and managing a small business. Each year, several hundred thousands of new businesses are started while many thousands of existing enterprises are transferred to new owners. At the same time, many thousands of small firms cease doing business during any one year. It has been shown that over 50 percent of our new businesses will cease operations within the first three years. It is believed that business turnover can be reduced by more careful preparation and analysis by the prospective owners--before the business is started.
- b. The vast majority of inquiries on management that are received by the Agency come from individuals interested in starting a new business. The workshops, therefore, perform a vital function for beginning business people.

2. Legislative Authority

- a. Legislative authority for assisting prospective owners stems from two sections of the Small Business Act. Section 2(a) of the Small Business Act refers in part to the need for free entry into business and opportunities for the expression and growth of personal initiative and individual judgement. This section further states that the government should maintain and strengthen the overall economy of the nation.
- b. Section 8(b) (1) requires SBA to maintain a clearing house for information concerning the managing, financing and operation of small business enterprises, to disseminate such information, and by such other activities as are deemed appropriate by the Administration.

Chapter II  
PLANNING WORKSHOPS

1. Scheduling

- a. Workshops should be scheduled on a periodic basis. In most areas they can be held at least once each month, more often if the demand requires it--such as for prospective businessmen and businesswomen associated with economic development and poverty programs.
- b. Generally, a workshop should be scheduled for a full day starting at 9:00 a.m. sharp, with registration beginning at 8:30 a.m. and continuing to 5:00 p.m. with one hour for lunch and brief 10 to 15 minute breaks once each in the morning and afternoon sessions.

In some situations it may be better to schedule nighttime sessions over a period of several days or weeks. These should be two hour sessions starting after the normal dinner hour (8:00 p.m.) and the presentations may be easily broken up into four or five separate sessions.

- c. The scheduling of time allotments per discussion leader needs to be carefully planned and adhered to. It is important that they be strictly maintained by the Master-of-Ceremonies. A thorough preparation of subject presentation is essential and conserves time.

2. Staffing

- a. Workshops may be staffed \_\_\_\_\_ by SCORE volunteers, local bankers, attorneys, consultants or business educators.
- b. Each workshop should have a "keynote" speaker who sets the theme and begins the program on a high level. SBA regional directors or their representatives could handle this assignment when available. However, recognized business leaders may fulfill this role--particularly where ethnic considerations are important.
- c. Outside "guest" speakers should receive some guidance and orientation regarding the purpose of workshops and the subject matter they are asked to cover. The script portion relating to his subject should be offered to the guest for his use. Point out that it is a guide only to content and length of presentation but by no means binding if he chooses to include other material.
- d. Experience has demonstrated that if one speaker is handling more than one outline topic, it is well to intersperse his presentation with other discussion.

- e. The workshop is a "shirt sleeve" type meeting and it is important that time be allowed for questions and answers. These may take place during a presentation. Generally, 10 minutes of questions and answers are allowed for each presentation with the remaining questions held for the panel discussion at the end. At least 45 minutes are suggested as a minimum allowance for the panel.
- f. Workshops should be scheduled on a continuing 12 month basis. It has been found that interest does not diminish during the summer months.

### 3. Attendance

- a. Since the workshops are informal, with give and take between participants and speakers desired, it is recommended that attendance be limited to 30-35 participants, not counting observers. Staffing limitations and scheduling may at times, however, require larger groups. It is important that provision be made to achieve the workshop objectives with these larger groups.
- b. Some regional offices have handled larger groups, while others have held simultaneous sessions successfully. With more than one group meeting at the same time, the discussion leaders move from one group to another with everyone brought together for the panel discussion at the end of the day.
- c. It has been SBA's practice to invite outsiders to observe the workshop sessions. This not only is good promotion but may lay the groundwork for future cooperation and assistance. Observers might include a representative of a local newspaper, radio or TV station, the chamber of commerce or board of trade, local banks, the accounting and legal professions and others. Observers should be limited in number.
- d. There is no hard and fast rule concerning "no shows" since experience varies depending upon weather, time of year, day of the week, location and other factors. Frequently, there will be 10 percent to 15 percent no-show but this may be compensated by a walk-in of similar proportions. Many sponsors have utilized a final letter to the registrant requesting that they be notified if the registrant will be unable to attend the workshop.
- e. The regional office staff or sponsoring group are urged to screen registrants to eliminate those individuals who have been in business for some time. Participants should be those men and women who have never been in business or those who have been in business for less than one year. The difference in knowledge, experience and current problems makes a group of sophisticated and unsophisticated individuals incompatible, since owners of existing businesses desire much more detailed and specialized information and discussion than the workshop is intended to present. These diverse interests will lead the workshop away from its basic purpose, that of presenting the fundamentals of starting and managing a business.



## Chapter III

### PROMOTION

#### 1. Needs

- a. In order to have a successful Workshop attendance is needed. The biggest problem faced in organizing a workshop is to get information about the workshop to those who most need it. They are hard to reach individuals geographically dispersed with varying backgrounds and interests. Often, plans for going into business are secret or unexpressed.
- b. Therefore, one must organize a promotional and advertising program to reach potential small business owners. There is no single method for reaching them all so a multi-media approach is needed.
- c. Promotional results take time so activities should be of two kinds: general promotion of workshops inviting inquiries as to time and places and specific promotions for specific meetings. A minimum of four weeks should be allowed for this dual action.

#### 2. Promotional Methods

- a. The news media are probably the best all around resource for promoting workshops. News items in local papers and spot announcements on radio and television are effective. A simple direct "news release" can be sent to the news media as a matter of routine but the chances of use are better if you personally contact the news media with a request for this "public service" assistance. It is well to use more than one story or announcement for a particular workshop. A feature column in the local or financial section of the newspaper is excellent publicity.

The more complete you can make your news release, the better your chances will be for having it used. At the end of this chapter are sample news releases and scripts which may help you. Be sure to get in the information on how to contact SBA or cosponsor for more information or reservations.

- b. Excellent ways for promotion by word of mouth are through local banks, chambers of commerce, professional or trade associations, community development centers, libraries, educational institutions or wherever potential business people may ask for assistance.
- c. Bulletin board announcements are helpful. These should be eye attracting, informative and current. Posters, letters and brochures (with specific details) can be useful in reaching the intended audience.
- d. All staff people and volunteers for workshops can help promote the workshops. Most personnel make numerous contacts every day with potential

attendees. Every SBA employee should be asked for participation in promoting the workshop program and volunteers told how they can help.

- e. Getting information to the potential audience is just half of the problem. Follow-up is needed. It is good to have a standard letter (see sample at end of chapter) as a response to inquiries, specifically inviting the potential businessman to attend.

### 3. Promotional Materials

Selections and appropriate adaptations of the following promotional items may be made for either the recruitment of sponsors and volunteers or for effective advertising of the workshop.

- a. "Workshops for Prospective Small Business Owners", is a brief description of the workshops and of the support materials available from SBA field offices.
- b. "Going Into Business?" provides information which might be drawn on in the preparation of brochures to serve local needs and situations. Included is an identification of each of the nine "Keys" to a business success treated in the script.
- c. Sample Press Release A
- d. Sample Press Release B
- e. Radio and TV Spot Announcement
- f. Sample Announcement
- g. Letter of Invitation
- h. Referral Letter
- i. Reservation Form
- j. Acknowledgment

## WORKSHOPS FOR PROSPECTIVE SMALL BUSINESS OWNERS

The Small Business Administration has developed a program of one-day prebusiness workshops to assist men and women who are interested in investing in a business of their own. The program is geared to help prevent the high proportion of casualties among new businesses, recognizing that many difficulties experienced by small business owner-managers are due to inadequate preparation and analysis prior to opening a business. The workshops, therefore, are designed to deal with fundamentals of good management which can be applied to new businesses of all kinds.

The following items, provided each SBA field office, comprise the support materials for administering the workshops:

1. A guidebook for the organization, planning and presentation of the workshop program. (Workshop Guide)
2. A Workshop Agenda which includes an outline of subjects treated and instructional materials used. (SBA Form 592)
3. A script containing a treatment of nine major management subjects in narrative form titled, "Keys to a Business Success." (A Workshop for Prospective Small Business Owners)
4. A set of nine tri-colored placards in the shape of keys which shows the subject title for each "key".
5. A set of 53 (11" x 11") colored transparencies for overhead projection, geared to the key subjects in the script.
6. A set of worksheets geared to the script, to be used by participants in the training sessions. (SBA Form 593)
7. Two sound motion picture films in color: "A Case In Point" (11 minutes) tells of available SBA services, in drama form; and "Three Times Three" (13½ minutes) presents a dramatic impact of the nine management keys to business management success depicted in the script treatment.
8. A list of suggested handout materials for each "Key" subject (SBA Aids and other appropriate items) to comprise a take-home folder for participants. (Workshop Guide, chapter VI)
9. A "Glossary of Business Terms" to clarify the meaning of terms used in the context of the workshop script.
10. A Workshop Evaluation form which provides participants a means of expressing their reactions and suggestions. (SBA Form 920)

## GOING INTO BUSINESS?

An SBA Workshop will help you find "Keys" to a business success!

### Will Your Business Succeed?

Extensive research sponsored by SBA and others has shown that one half of all businesses started don't survive their first year. The reason many don't survive is a lack of knowledge about business procedures. So SBA has defined nine subject areas that help prospective business people learn some of the things they can do to succeed. We've called these nine subjects "Keys to a Business Success" and they are presented in SBA Workshops. They can help you plan success for your own business.

### What Is The Workshop?

The Small Business Administration in cooperation with many/<sup>educational and</sup> business institutions conducts one-day workshops for prospective small business owners. Workshops are attended by men and women who are thinking of investing in a business of their own. Before they pick up a set of keys and open their doors for business, they learn that there is another set of keys which will open the door to success and financial stability. Here, people of varied backgrounds -- accountants, students, housewives, mechanics, salesmen, engineers and managers -- come together to learn how to properly analyze their prospects and prepare for the things which must be done to start a business.

Careful planning is necessary to conserve capital and avoid mistakes. The Workshop provides a fundamental exercise in business management. Many prospective business people think it is the most important eight hours they can spend toward planning a business.

### Keys To a Business Success

#### Ignition Key-- Personal Factors

The first key is you ! It is not enough to have savings and a desire to be your own boss. You need something more--within yourself. You need certain fundamental characteristics that it takes to succeed in your own business. The SBA Workshop will help you analyze your own abilities. And you will learn what kind of experience it takes to make a go of your kind of business. This may be your most important assessment.

### Golden Key -- Financial Factors

Money, too, is a key. Do you know how much it costs to maintain your household? Do you know how to figure what it will cost you to run your business and how much you will have to take in to realize a profit? These subjects will be discussed at Workshop.

### Vault Key--Souces of Capital

It's one thing to know how much it costs to start a business--but where will the money come from? Even if you have ample savings or a ready source of the initial capital you will need, it is a good idea to have knowledge about other sources and how you obtain them. Virtually every business has to borrow money at some time, if only to grow. Workshops will tell you how to arrange a loan and how to protect your investment. If you are interested in SBA loans, you will learn how to go about it.

### Skeleton Key -- Organization and Planning

The Workshop will help you examine the form your business will take and what you can do to plan for changes. Naturally, you will want to consult with your attorney or an accountant before you open your business, but the Workshop will help you to understand the decisions which the experts will want you to make. You will also learn the steps it takes to analyze your business needs for management organization.

### Front Door Key-- Opportunity

Should you buy an existing business or start your own? Should you consider a franchise? Workshop will give you the advantages and disadvantages. Then comes the important question of where to put your business? How do you choose the "right" location and the kind of building you will need? Again, Workshop will help you consider these important factors in starting a business.

### Combination Lock -- Business Regulations, Taxes and Insurance

Workshop will help you be aware of the obligations you face as a business owner--obligations to government, to your community and customers and to yourself. How do you find out what regulations apply to your business? Workshop will give you leads. What about taxes? How do you avoid business losses? Here, also, Workshop will provide guidance.

### Control Key--Business Records

Did you know that business records are a major key to success? Workshop will tell you something about the records you need to find out where you stand financially and how to use records to guide the course of your business. Of course, you will want to consider professional help on setting up the records and Workshop will help you decide.

### Master Key -- Management

What makes a good owner-manager? Workshop will help you determine your qualifications and guide you toward effective management techniques. Sometimes the business owner has to be a "locksmith" to fashion his own keys for success and Workshop shows you some ways. It will also add to your ideas on how to be an effective manager. Perhaps even more important, you will learn where to go to add even more know-how to your management skills.

### Borrowed Key--Information, Self Training and Assistance

Where is help available? Sometimes you have to "borrow" a key to achieve business success. Workshop will suggest outside assistance that is available to you--much of it for the asking. You will also learn the Small Business Administration services that are available to all small business.



## Other Informational Items

### "A Case in Point"

A motion picture film made especially for Workshop will take a case history of a small business and show how the owner manager tapped the resources of SBA and SCORE plus important personal factors to make a success from a faltering business.

### "Three Times Three"

A second motion picture helps summarize the Workshop points on how to apply the "keys for success" in running a business. A manufacturer, a retail merchant and a service company offer valid examples of what the "keys" can accomplish.

### Panel Sessions and Workshop Materials

At the end of each workshop, the \_\_\_\_\_ speakers will sit as a panel to give you an opportunity to ask questions on the subjects covered. You will receive SBA Aids to guide you in your own business as well as working papers to assist in the first steps of setting up a business.

### TO GET MORE INFORMATION

The SBA Workshops are presented to benefit you. They are designed to help you find the key to success in business. Just fill out the coupon and mail it to the nearest SBA office. They will tell you when the next Workshop is scheduled near you.

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(Sample Release A)

P R E S S   R E L E A S E

Small Business Administration  
(address)

ADVANCE PRESS RELEASE, For immediate use! (Date) \_\_\_\_\_

-----

Workshop for Prospective Business Owners

Prospective small business owners will have an opportunity to learn what it takes to start and operate a successful business through a workshop announced today by \_\_\_\_\_, who is \_\_\_\_\_ of the Small Business Administration in \_\_\_\_\_.

The workshop program--"Keys to a Business Success"--calls for a one-day workshop for men and women who are considering starting businesses of their own, or buying a new one. The workshop will be conducted by Small Business Administration (in cooperation with \_\_\_\_\_). There is no charge for attendance.

The program is scheduled to be held in \_\_\_\_\_ at \_\_\_\_\_ on \_\_\_\_\_.

Attendance is open to all individuals considering a new business or who have been in business less than one year. Subjects covered are personal factors for business success, business financing, taxes and insurance, organization and planning, management techniques, choosing a location and sources of assistance and information.

The reason behind the workshop is to help small business owners avoid the problems that lead to business failure. Mr. \_\_\_\_\_ points out that most failures can be prevented because they are due to lack of management experience and know-how. The need for management knowledge is essential for business success, and it is SBA's aim to inform potential owners of the dangers involved and some things they can do to help achieve success.

Requests for workshop registration should be mailed to \_\_\_\_\_, \_\_\_\_\_, Small Business Administration, \_\_\_\_\_ Street, \_\_\_\_\_, \_\_\_\_\_. You can also phone \_\_\_\_\_.

\* \* \*

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(Sample Release B)

PRESS RELEASE

Small Business Administration  
(address)

ADVANCE RELEASE, For Monday Morning Papers,

(date) \_\_\_\_\_

Mr. \_\_\_\_\_ of the Branch Office, Small Business Administration, has announced they are conducting a one-day Workshop for Prospective Business Owners.

The workshop is designed for those individuals who are contemplating starting or have just started a new business. Basic management principles, which can be applied to all kinds of businesses, are discussed. They include the fields of financial, legal, and management problems.

The one-day workshop will be held on \_\_\_\_\_ at the \_\_\_\_\_ Room, \_\_\_\_\_ Building, \_\_\_\_\_ Floor. The session will begin immediately at 9:00 a.m. after registration, which commences at 8:30 a.m. It will close promptly at 5:00 p.m.

The Small Business Administration contemplates this session being followed by others for the coming year. The date and location will be announced prior to each meeting.

The discussion leaders are specialists chosen from leaders in business and education. In considering financial, legal, and management problems, they also suggest sources of additional information, advice, and assistance with explanations as to why it is important for businessmen to contact these sources.

By writing or telephoning Small Business Administration, \_\_\_\_\_, \_\_\_\_\_, you will be included as a workshop participant.

In order to do a thorough job and to allow free participation by those in attendance, enrollment in each workshop is limited to the first 30 applicants. It is, therefore, advisable to register promptly.

--- END ADVANCE RELEASE ---

(30-Second Radio and TV Spot Announcement)

P R E S S   R E L E A S E

Small Business Administration  
(address)

30-SECOND RADIO AND TV PUBLIC SERVICE SPOT

DO YOU KNOW THE KEY TO RUNNING A SUCCESSFUL BUSINESS? IF YOU ARE CONSIDERING GOING INTO BUSINESS FOR YOURSELF YOU SHOULD KNOW HOW TO START AND WHAT IT TAKES TO BE SUCCESSFUL. NOW YOU CAN FIND OUT. THE SMALL BUSINESS ADMINISTRATION IS CONDUCTING A ONE-DAY WORKSHOP CALLED "KEYS TO A BUSINESS SUCCESS" WHICH WILL BE HELD AT \_\_\_\_\_ ON \_\_\_\_\_. THIS WORKSHOP IS FREE OF CHARGE. TO ATTEND CALL OR WRITE:

**\* \* \* ANNOUNCEMENT \* \* \***

**SBA WORKSHOP FOR PROSPECTIVE BUSINESS OWNERS**

A "going into business" workshop will be presented by the Small Business Administration at \_\_\_\_\_ on \_\_\_\_\_. Admission is free and registration is open to anyone planning on starting and operating his own business.

"Keys to Business Success" is the title and theme of the eight hour long presentations. The program features a full range of specialists in each major management activity who will give short lectures and lead discussion about each management area. Audio-visual and training aids add impact and clarity to the subjects.

Among the subjects covered are:

Management Qualifications  
Financing a New Business  
Regulations Affecting a  
Business  
Management Principles  
How to Organize Business  
Business Taxes  
How to Buy a Business  
Selecting a Location

For information write Small Business Administration,  
\_\_\_\_\_  
or telephone \_\_\_\_\_.

(Invitation Letter)

SMALL BUSINESS ADMINISTRATION  
(address)

Telephone: \_\_\_\_\_

\_\_\_\_\_ (date)

To Prospective Owners of Small Businesses:

The next workshop the Small Business Administration is offering to individuals who are interested in starting or acquiring their own business, will be held in \_\_\_\_\_ on \_\_\_\_\_.

This workshop is set up in order to point out to the prospective small businessmen and women the basic requirements and other factors which should be taken into consideration in starting their own business. During the workshop, suggestions will be made as to the availability of pertinent information, assistance and counsel. Time will be allotted for questions and answers. The enclosed brochure supplies more information regarding the Workshop.

This workshop is offered without charge (or for a nominal fee) and is limited to those individuals who have taken an interest in going into business for themselves. It is not for those who are already established in business.

It will be on \_\_\_\_\_, in the \_\_\_\_\_ Room of the \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ Street. The main entrance is on \_\_\_\_\_ Street.

In order that all participants may obtain the maximum value for the day, we are limiting the Workshop to 35 people. If you desire to attend the workshop, please complete the form which is enclosed and send it to this office promptly, because the Workshop must be limited to the first 35 people who reply.

Sincerely yours,

\_\_\_\_\_  
Regional Director

Enclosure

(Referral Letter)

SMALL BUSINESS ADMINISTRATION  
(address)

Telephone: \_\_\_\_\_

\_\_\_\_\_ (date)

The Small Business Administration is offering a one-day Workshop for Prospective Owners and Managers of Small Businesses in \_\_\_\_\_ on \_\_\_\_\_, \_\_\_\_\_.

Your name has been referred to us by \_\_\_\_\_ as one who should be interested in attending a program of this nature. The Workshop will be held at the \_\_\_\_\_ Building, \_\_\_\_\_ and \_\_\_\_\_ Streets, Room Number \_\_\_\_\_, \_\_\_\_\_ Floor, from 9:00 a.m. to 5:00 p.m.

If you would like to attend, please complete the enclosed registration form and return it to the Small Business Administration, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, at your earliest convenience. Due to space accommodations, we will be limited to a total of 35 persons.

Very truly yours,

\_\_\_\_\_  
Regional Director

Enclosure

(Reservation Form)

SMALL BUSINESS ADMINISTRATION  
(address)

- Please enroll me for the Prospective Business Owners Workshop on \_\_\_\_\_.
- I cannot attend this one, but please keep my name on the mailing list for future clinics.
- I am interested primarily in a \_\_\_\_\_ business (type or kind).
- My present occupation is \_\_\_\_\_.

NAME \_\_\_\_\_ PHONE NUMBER \_\_\_\_\_

ADDRESS \_\_\_\_\_  
(Please print)

Please return this form to the above address, attention: \_\_\_\_\_.

(Acknowledgment)

SMALL BUSINESS ADMINISTRATION  
(address)

\_\_\_\_\_  
(date)

Dear Sir:

Thank you for your interest in our Prospective Business Owners' Workshop. This is to confirm your registration for the Workshop to be held on \_\_\_\_\_ on the \_\_\_\_\_ Floor, Room \_\_\_\_\_.

As stated in the enclosed agenda, the Workshop will start promptly at 9:00 o'clock in the morning, and we endeavor to conform closely to the time as scheduled. We feel that you would find it more convenient if you will bring a three-ring binder or clip board. Instructional materials will be provided.

Since registration is limited, in fairness to others it is very important that you let us know if, for any reason, your plans change so that you will not be able to attend.

Very truly yours,

\_\_\_\_\_  
Management Assistance Section

Enclosure

In reply refer to  
Small Business Administration  
Attention: \_\_\_\_\_

## Chapter IV

### WORKSHOP PROCEDURES

#### 1. Workshop Agenda

- a. The workshop program, the agenda or outline as set forth in SBA Form 592 (Revised), has proved workable and successful. Sponsors may alter the sequence of subjects, but it is advisable that all subject areas be covered (see samples at end of chapter). No provision on the form was made for the panel discussion but it would normally be the last item on the agenda. Also, time will need to be allowed for filling out evaluation sheets.
- b. It is considered desirable, for the information of the audience, to identify each speaker by name, position (of field of specialty) and affiliation on your workshop agenda.
- c. For a successful workshop, it is suggested:
  - (1) That provision be made for questions and answers during the discussion leaders' presentation by providing 3" x 5" cards in the pass-out folder for questions to be written on and held for answering during the panel.
  - (2) That time be allowed for participants to fill out some of the worksheets (SBA Form 593) under the guidance of the discussion leader.
  - (3) That unless an expert is available, questions on tax situations or tax problems be avoided. The individual participant should be advised to consult a tax specialist or IRS.
  - (4) That the day's workshop agenda be mentioned at the very outset. There should also be an explanation of facilities, places to eat, and other house-keeping matters.
  - (5) That an atmosphere of informality be established by asking each participant to stand, state his name, occupation and type of business in which he is interested. Speakers should also be introduced.



- (6) That it be stressed at the outset the workshop is not designed to provide answers on specific types of business; rather, that it covers principles and procedures which can be applied to all types of business.
  - (7) That SBA programs be covered since many participants are not familiar with the services performed by the Agency. (The 11 minute film, "A Case in Point" was specially designed to serve this objective.)
  - (8) That the Keys to a Business Success film, "Three Times Three," which is an effective 13½ minute dramatic presentation of the nine management keys treated in the script, constitute an important part of the agenda.
  - (9) That full use be made of the attention getting and interest holding key-shaped placards which show the subject title for each "key" treated in the script.
  - (10) That a copy of the "Glossary of Business Terms", intended to clarify the meaning of terms used in the context of the workshop script, be made available for use by each participant, preferably before the start of the workshop.
  - (11) That the transparencies (or their equivalent) prepared for each subject presentation in the script be effectively utilized to obtain their optimum instructional value.
- d. Following are a sample Agenda for a workshop, and the workshop "Outline", SBA Form 592, both based on the script, "Keys to a Business Success".

**KEYS TO BUSINESS SUCCESS**  
**(A Workshop for Prospective**  
**Small Business Owners)**

**PURPOSE**

This Workshop is a service of the Small Business Administration. It is held free of charge for persons who are planning to enter business or who have done so recently. The Workshop is designed to acquaint a prospective owner with financial and management requirements for successfully operating a business. Additional assistance, information aids and information about other courses may be obtained at any SBA office. Participants are urged to ask questions and request information

\_\_\_\_\_  
(Location)

\_\_\_\_\_  
(Address)

\_\_\_\_\_  
(Date)

Sponsored By:  
\_\_\_\_\_  
\_\_\_\_\_

and  
Small Business Administration

(Back and Front of Program)

PROGRAM

8:30 a.m. Registration

9:00 a.m. Welcome and Keynote Address  
Keynote by \_\_\_\_\_

9:20 a.m. Workshop Outlined  
Master-of-ceremonies \_\_\_\_\_

9:30 a.m. Film - "A Case in Point"  
The ways SBA helps a small business  
(a case history)

9:45 a.m. Personal Factors - "The Ignition Key"  
\_\_\_\_\_

10:25 a.m. Coffee Break

10:45 a.m. Financial Factors "The Golden Key"  
\_\_\_\_\_

11:20 a.m. Sources of Capital "The Vault Key"  
\_\_\_\_\_

12:00 p.m. Lunch - Dutch Treat

1:15 p.m. Organization and Planning -  
"The Skeleton Key"

1:40 p.m. Opportunity - "The Front Door Key"  
\_\_\_\_\_

2:15 p.m. Regulations, Taxes and Insurance -  
"The Combination Lock"  
\_\_\_\_\_

2:40 p.m. Business Records - "The Control Key"  
\_\_\_\_\_

3:00 p.m. Coffee Break

3:15 p.m. Management - "The Master Key"  
\_\_\_\_\_

3:40 p.m. Film "THREE TIMES THREE"

4:00 p.m. Information, Self Training and  
Assistance - "The Borrowed Key"

4:15 p.m. Panel Discussion

5:00 p.m. Adjournment

(Agenda)

KEYS TO A BUSINESS SUCCESS  
(A Workshop for Prospective  
Small Business Owners)

OUTLINE

- I. Introduction
  - A. Objectives
    - determine if you should be in business
    - begin to know what it takes
  - B. Make a good beginning
  
- II. Keynote Address
  - A. Business is an adventure
  - B. Being here is step to success
  - C. A basic American freedom--going into business
  - D. Small business is important
  - E. Personal benefits in business (and some dangers)
  - F. Let's get started
  
- III. Purpose of Workshop
  - A. In perspective
  - B. "A List of Keys"
  - C. Goals for Workshop
    - 1. start successfully in business
    - 2. prevent waste of financial resources
    - 3. get fundamentals of management
    - 4. use of outside counsel and assistance
  - D. Goals make success
  
- IV. The SBA Motion Picture for Workshop "A CASE IN POINT"
  
- V. Personal Factors--"The Ignition Key" (Key #1)
  - A. The "key" is you
  - B. Small businessman does many jobs
  - C. Personal objectives in business
    - 1. desire to be own boss
    - 2. desire to use special skills
    - 3. opportunity to buy or inherit a business
    - 4. security

- 5. profit and increased income
- 6. to keep busy in retirement
- D. Why businesses fail
- E. What makes a good business manager?

VI. Coffee Break

VII. Financial Factors--"The Golden Key" (Key #2)

- A. Need for capital
- B. Personal income requirements
- C. Initial capital requirements
- D. Importance of financial factors

VIII. Sources of Capital--"The Vault Key" (Key #3)

- A. Equity capital
- B. Borrowed capital
  - sources
  - rules
- C. Commercial banks
  - short-term loans
  - long-term loans
- D. Good banking relationships
- E. SBA loans
  - 1. purpose of loan program
    - loan criteria--restrictions--qualifications--objectives
    - EOL loans
  - 2. SBIC loans
- F. Trade credit
- G. Other sources of capital
- H. Financial management

IX. Lunch

X. Organization and Planning--"The Skeleton Key" (Key #4)

- A. Organization and planning is a key
- B. How to organize
- C. Factors in ownership organization
  - 1. proprietorship
  - 2. partnership
  - 3. corporations
- D. Organization within the business
- E. Planning

- XI. Opportunity--"The Front Door Key" (Key #5)
- A. Opportunity for doing business successfully
    - choose the right business
    - select the right location
  - B. Whether or not to buy existing firm
  - C. Franchises
  - D. Choose the "right" location
  - E. Choosing the site
- XII. Business Regulations, Taxes and Insurance--  
"The Combination Lock" (Key #6)
- A. Matters to be "lined up" like a combination
    - the need for professional advice
  - B. Regulations
  - C. Taxes
  - D. Insurance
- XIII. Business Records--"The Control Key" (Key #7)
- A. Business records
    - importance
    - kinds
    - what records do
  - B. Balance sheet
  - C. Profit and loss statement
  - D. Control records
    - accounts payable & receivable
    - cashbook
    - payroll
  - E. Other records
- XIV. Management--"The Master Key" (Key #8)
- A. Key important in solution of difficulty, problem or dispute
  - B. The art of management
  - C. An example of management
    - define problem
    - get information
    - formulate a plan
    - make commitment
    - carry out plan
    - followup
  - D. Other management functions
  - E. Sales management
  - F. Personnel management

- G. Purchasing
- H. Other factors

XV. A List of Keys-- The "Keys" to Business Success Film  
"THREE TIMES THREE"

XVI. Information, Self-Training and Outside Assistance--  
"The Borrowed Key" (Key #9)

- A. Need for business knowledge
- B. Sources of information
  - 1. business associates
  - 2. professional counselors
  - 3. educational institutions
  - 4. business groups
  - 5. government agencies
  - 6. published material
- C. SBA publications
- D. Train yourself

XVII. Questions and Answers

Chapter V  
WORKSHOP SCRIPT

1. Background

- a. In view of SBA objectives and the increasing importance attached to Workshops, the Washington Office of SBA has prepared a major revision of the Workshop materials and script. These presentation aids have been professionally prepared, were tested by three Regional Offices and then were revised to accommodate the suggestions of the participants and sponsors. The script "Keys to A Business Success" is the heart of the new materials and should be reviewed when planning a Workshop.
- b. In order to add continuity and impact to the presentations the new script features a theme on the subject of nine "keys" to business success. While the new script is intended only as a guide and not necessarily a verbatim presentation, care should be taken in the preparation of speeches to preserve the theme and titles of each presentation. In a sense, the new script is more structured than past scripts providing the additional content information which evaluations indicated were needed. So it is important that strict adherence be given to the lengths of presentations so that they may be fitted into a normal one day session.
- c. The script format has been designed so that the outline and stage directions may be incorporated along with the presentation copy. This makes the script more readable and allows room for added comments and points in the margins.
- d. It may be noted in reviewing the script that it includes motivational techniques, humor and human interest stories. These have been developed to keep interest level high and emphasize certain points at specific points during presentation. Of course, you may wish to replace some of these with your own devices, but please keep the theme and points in mind in making changes.

2. Utilization

- a. One copy of the script should be divided into sections so that the sections can be reviewed and utilized by the speakers. Another should be kept as a master script and be used by the master-of-ceremonies or coordinator to assure that schedules are maintained and key points made in the presentation.



- b. The need for preparation cannot be over emphasized. Experience has shown that a workshop is of much greater value when it is well organized and rehearsed. Dress rehearsals of presentations will add impressively to the impact of workshops. Such rehearsals should include timing of presentations and a friendly critique to help improve the delivery. One suggestion given is to ask a local speech professor or accomplished speaker to review and offer counseling for staff speakers. Participation of guest speakers in rehearsals, of course, must be handled as an individual matter.
- c. Individual speakers should be given the option of how they prefer to use the script. It can, of course, be used as the full script which the speaker practices so that he can be convincing. However, most speakers will want to incorporate their own ideas into the presentation and will use the script as an outline. Still others will want to design their own presentation, using the script only for guidance as to length and general content. When so used, it is helpful if the speaker will use the overhead projectuals and management assistance publications (Aids) suggested, in order to insure basic content.
- d. The script calls for certain props and visuals. These should be utilized as far as is possible to reinforce the important points. Provision is made for the use of placards in the shape of keys. A limited supply of these placards is available through SBA. However, when they are not available simple key shaped placards can be prepared by a local sign painter at modest cost or by an amateur artist. A design suggestion for key shaped placards for the nine "Key" subjects narrated in the script is shown on the following page.

Design for a "Key" placard of Each Subject Title

"THE  
IGNITION  
KEY"  
PERSONAL FACTORS

"THE  
GOLDEN  
KEY"  
FINANCIAL FACTORS

"THE  
VAULT  
KEY"  
SOURCES OF CAPITAL

THE  
SKELETON  
KEY"  
ORGANIZATION AND  
PLANNING

"THE  
FRONT DOOR  
KEY"  
OPPORTUNITY

THE  
MIND  
KEY"  
MIND

"THE  
CONTROL  
KEY"  
RECORDS

"THE  
MASTER  
KEY"  
MANAGEMENT

THE  
MIND  
KEY"  
MIND

Chapter VI  
HANDOUT MATERIALS

1. The Importance of Handout Materials

- a. Experience has shown that the impact of workshops is greatly enhanced by careful selection of handout materials for the participants. Not only do the materials add substance to the information content of the workshop but play an important role in demonstrating the availability and helpfulness of SBA aids.
- b. While maximum flexibility is desirable in the selection of the handout materials (except for some basic ones that should be standard workshop material) each discussion leader should prepare well in advance of presentation by carefully selecting those aids which best reinforce his content. Of course, time must be allowed for obtaining any materials which are not in local stock.

2. Using the Handouts

- a. It is essential that the handout materials be explained to the Workshop attendees, rather than merely handed as a package to be read (or discarded) later. Discussion leaders should use handouts to make specific illustrations so that participants gain an idea of their content and language. One very important aspect of the Workshop is to encourage the use of SBA services.
- b. Time should be allowed to explain SBA Forms 115A, 115B, and 115ML so that workshop attendees will know how they may order publications and aids.

3. SBA Materials as Handouts

NOTE: The following basic and recommended items are for use as a checklist of materials to be included in a handout folder (as OPI-14). Make your selections in sufficient quantities to meet workshop needs and request them from your SBA office with adequate lead time for on-time delivery.

a. Basic Handout Items

NOTE: For general treatment selections:

- (1) "Workshop Outline," SBA Form 592 (Revised)  
(See Chapter IV)

- (2) "Workshop Worksheets," SBA Form 593 (Revised)  
(See Chapter IV)
- (3) "Glossary of Business Terms," (See Chapter X)
- (4) "SBA: What It Is, What It Does" -- OPI-6
- (5) "Management and Technical Assistance" -- OPI-11
- (6) "SBA Business Loans" -- OPI-18
- (7) "Economic Opportunity Loan Program" -- OPI-22
- (8) SCORE -- OPI-16A
- (9) "Request for Counseling," SBA Form 641
- (10) "Starting and Managing a Business," -- Counseling Notes #18
- (11) "Checklist for Going Into Business,"  
Small Marketers Aid 71
- (12) "SBA Publications," SBA Form:
  - 115A "Free Management Publications
  - 115B "For-Sale Booklets"
  - 115E "Classification of Management Publications"
  - 115ML "Mailing Application (for) Free Management Assistance Publications"
- (13) "Starting & Managing a Small Business of Your Own,"  
Starting & Managing Series 1 (25 cents)
- (14) Brochures or other announcements of scheduled basic  
SBA co-sponsored Management Courses
- (15) "Workshop Evaluation," Sheet, SBA Form 920 (See Chapter IX)

b. Recommended Handout Items

NOTE: Each discussion leader should select those publications which best support his presentation. The following items are based on those related to the workshop script, "Keys to A Business Success."

- (1) "The Ignition Key" -- Personal Factors
  - (a) "Essential Personal Qualities for Small Store Managers,"  
Small Marketers Aid 46
- (2) "The Golden Key" -- Financial Factors
  - (a) "Planning Your Working Capital Requirements,"  
Management Aid 74

- (b) "Providing Capital for Your Firm," Management Aid 115
- (c) "Operating Costs and Ratios -- Retail," Small Business Bibliography 8
- (d) "Operating Costs and Ratios -- Wholesale," Small Business Bibliography 11
- (3) "The Vault Key" -- Sources of Capital
  - (a) "The ABC's of Borrowing," Management Aid 170
  - (b) "Building Strong Relations With Your Bank" Small Marketers Aid 107
- (4) "The Skeleton Key" -- Organization and Planning
  - (a) "Choosing the Legal Structure of Your Firm," Management Aid 80
  - (b) "Breaking the Barriers to Small Business Planning," Management Aid 179
  - (c) "Marketing Planning Guidelines," Management Aid 194
  - (d) "Steps in Incorporating a Business," Management Aid 111
- (5) "The Front Door Key" -- Opportunity
  - (a) "Sizing Up Small Business Locations," Small Marketers Aid 13
  - (b) "Buying a Small Going Concern," Small Marketers Aid 20
  - (c) "Are You Ready For Franchising?" Small Marketers Aid 115
- (6) "The Combination Lock" -- Business Regulations, Taxes and Insurance
  - (a) "The Federal Wage-Hour Law in Small Firms," Small Management Aid 132
  - (b) "Preventing Burglary and Robbery Losses," Small Marketers Aid 134
  - (c) "Business Life Insurance," Management Aid 130
- (7) "The Control Key" -- Records
  - (a) "Fundamental Records for Small Marketers," Small Marketers Aid 19
  - (b) "Records Management in Smaller Stores," Small Marketers Aid 1

- (c) "Recordkeeping System -- Small Store & Service Trade,"  
Small Business Bibliography 15
- (8) "The Master Key"-- Management
  - (a) "Organizing the Owner-Manager's Job," Management Aid 103
  - (b) "How to Analyze Your Own Business," Management Aid 46
  - (c) "Delegating Work and Responsibility," Management Aid 191
  - (d) "Preparing for New Management," Management Aid 183
- (9) "The Borrowed Key"-- Information, Self-Training and Outside Assistance
  - (a) "How Distributive Education Helps Small Business,"  
Small Marketers Aid 14
  - (b) "How Business Publications Help Small Business,"  
Management Aid 91
  - (c) "Specialized Help For Small Business," Small Marketers  
Aid 74
  - (d) "How Trade Associations Help Small Business,"  
Management Aid 32



## Chapter VII

### AUDIO VISUAL AIDS

#### 1. Motion Pictures

- a. "A Case in Point" is the story of how SBA, SCORE and an enterprising owner manager, Evelyn Nelson got together to help Evelyn make success of her business. The case is based on a real case (names changed) and details how several SBA services might be utilized.

The film is intended as a short introduction to SBA services and was specifically designed for workshop. It is in color and runs approximately 12 minutes.

- b. "Three Times Three" is a story of how three different owner/managers of small businesses applied the "keys to business success" in management of their three businesses (one each of a manufacturing, service and retail establishment). The title comes from the nine "keys" covered in the workshop material, and it is intended as a summary of the main points.

This film is also in color and runs about 13 minutes. The value of the film will be greatly increased if it is used to help workshop attendees list the keys. A discussion of the film directly after showing as outlined in the script is recommended.

- c. Each of the films should be introduced by the Master of Ceremonies and then followed up with appropriate comments. "Three Times Three" is an ideal time to reinforce the nine keys around which the Workshop is designed.
- d. The importance of good projection of the films can not be over emphasized. Competent operators of the equipment are a must and the film should be checked out prior to use on the equipment. It will make a much better impact on the audience if the films are threaded and ready to run (with amplifier warmed up) prior to showing, so that when the Master of Ceremonies asks for the films they will start immediately.

#### 2. Overhead Projection Transparencies

- a. A series of visuals has been introduced for use with the script "Keys to A Business Success." The placement in presentation is noted in the left hand column of the script. Presentations which deviate from the script should be so organized as to take advantage of the visuals as much as is feasible.

- b. Please see that all speakers are well acquainted with the overhead projector so that a minimum of fumbling results. Otherwise good presentations can be spoiled by distracting use of visuals.
- c. Caution speakers not to leave visuals on for too long a period and urge the use of progressive masks for the visuals containing relatively long lists of information.
- d. The visuals, consisting of 53 11" x 11" transparencies for overhead projection, and prepared for use with the new workshop script, "Keys To a Business Success", are pictured on the following 9 pages.



OVERHEAD PROJECTUALS For use with the Workshop script "Keys to a Business Success"



WORKSHOP PURPOSE V-1

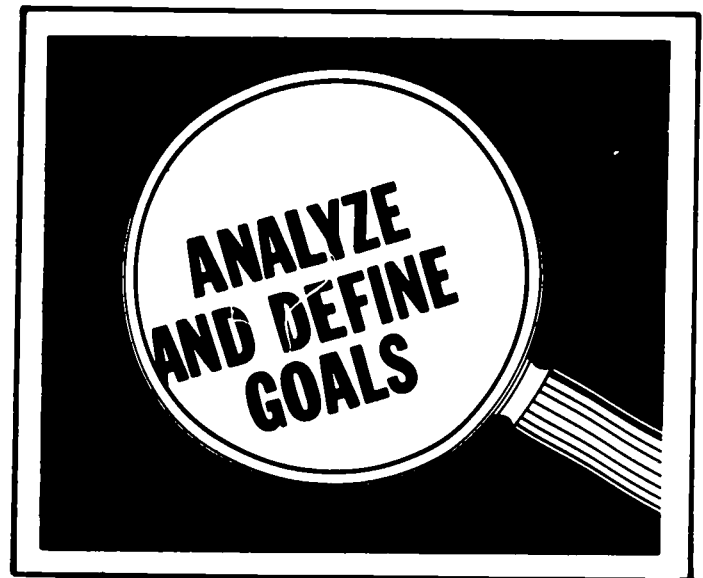
## THE KEYS TO SUCCESS

1. How to Start Successfully
2. How to Prevent Waste of Financial Resources
3. Fundamentals of Management
4. Use of Outside Counsel and Assistance

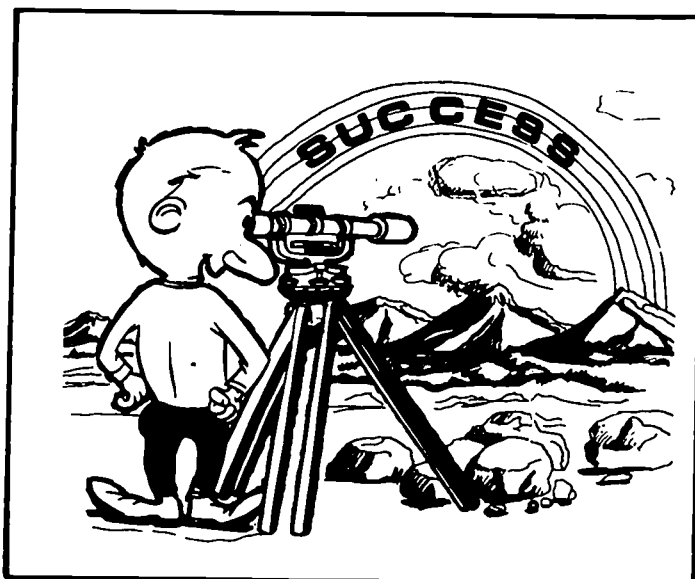
WORKSHOP PURPOSE V-2



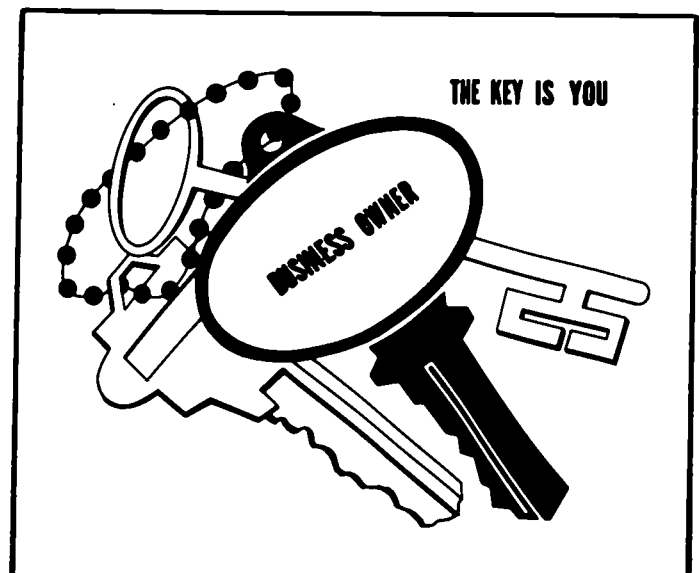
WORKSHOP PURPOSE V-3



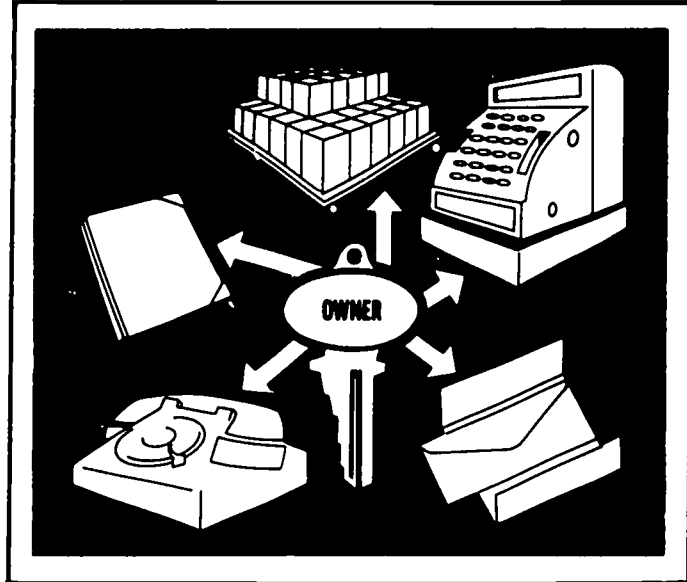
WORKSHOP PURPOSE V-4



WORKSHOP PURPOSE V-5



IGNITION KEY V-1



IGNITION KEY V-2

### PERSONAL OBJECTIVES IN STARTING OWN BUSINESS

1. Desire to be Own Boss
2. Desire to Use Special Skills
3. Opportunity to Buy or Inherit a Business
4. Security in Having Own Business
5. Greater Profit and Increased Income
6. Retired and Wishes to Keep Busy

IGNITION KEY V-3

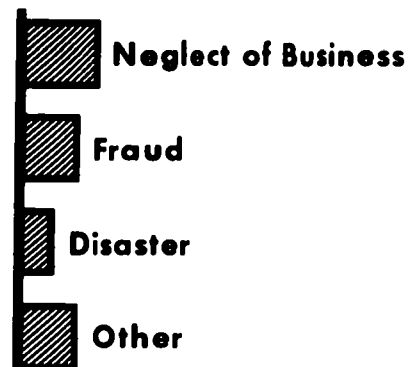
### WHY 13,514 BUSINESSES FAILED IN 1965\*

Neglect .....	3.8%
Fraud .....	1.8
Lack Experience in Line .....	9.9
Unbalanced Experience .....	21.4
Lack Managerial Experience .....	18.8
Incompetence .....	41.3
Disaster .....	1.2
Unknown .....	1.8

\*Patterns for Success in Managing a Business, Dun & Bradstreet, Inc., New York, 1967.

IGNITION KEY V-4

### CAUSES OF BUSINESS FAILURES



**POOR MANAGEMENT**

IGNITION KEY V-5

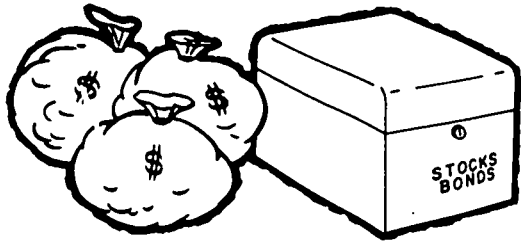
### THE IGNITION KEY



IGNITION KEY V-6



GOLDEN KEY V-1



**CAPITAL REQUIREMENTS**

1. FINANCIAL SUPPORT FOR YOU AND YOUR FAMILY
2. CASH TO SET UP AND START BUSINESS
3. MONEY RESOURCES TO OPERATE, GROW AND MEET UNFORESEEN NEEDS

GOLDEN KEY V-2



GOLDEN KEY V-3

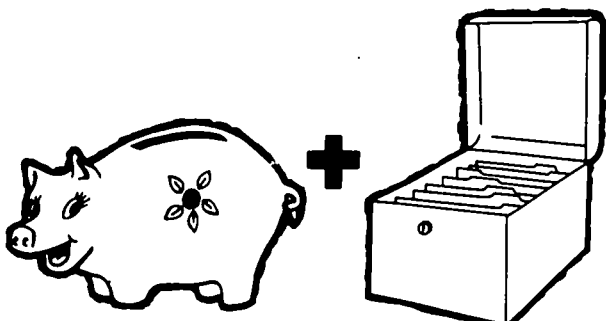
**INCOME ANALYSIS**

**Average Profit, \$492.63**

GOLDEN KEY V-4

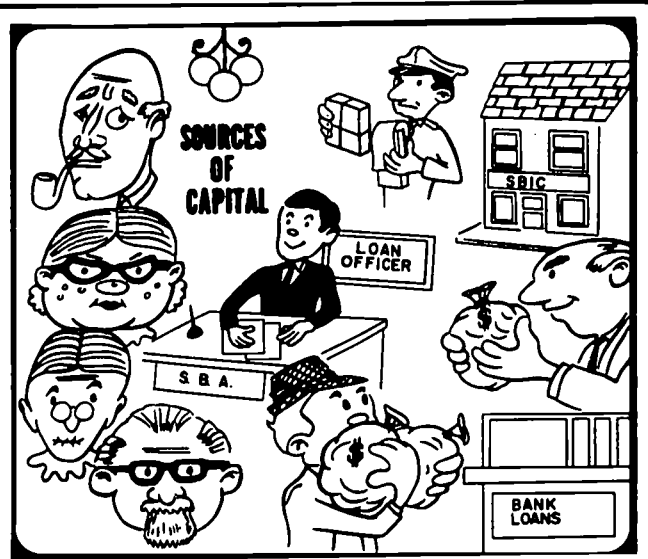


VAULT KEY V-1



**SOURCES OF EQUITY CAPITAL**

VAULT KEY V-2



VAULT KEY V-3

## RULES FOR BORROWING

1. Maintain Control of the Firm
2. Avoid a Heavy Debt Burden
3. Shop for Loans

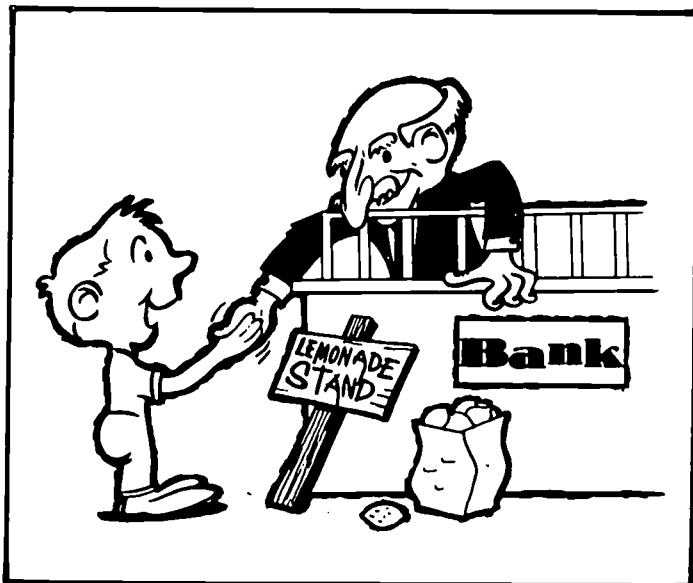
VAULT KEY V-4

## LOAN PREREQUISITES



1. YOUR PERSONAL AND BUSINESS REPUTATION
2. ADEQUATE RECORDS
3. SUITABLE SECURITY

VAULT KEY V-5



VAULT KEY V-6

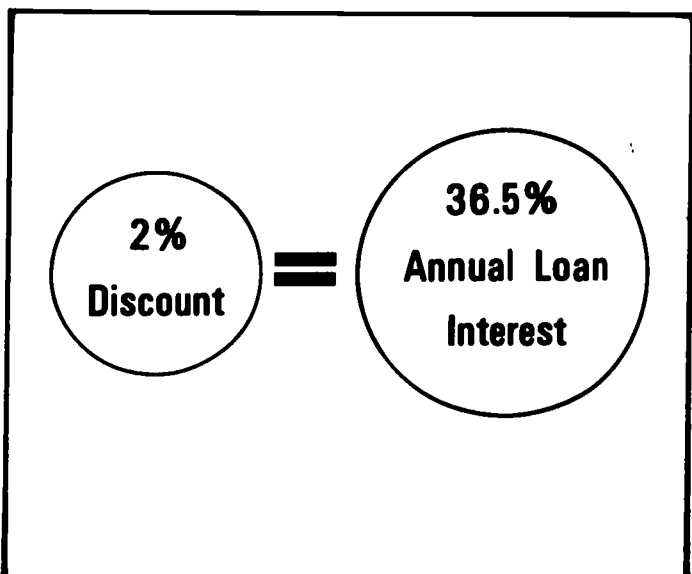


VAULT KEY V-7

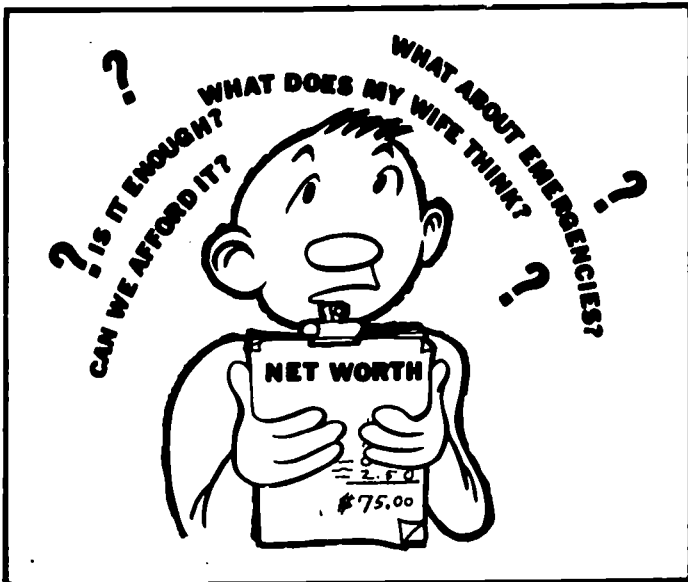
## SBA CREDIT REQUIREMENTS

1. Good Character
2. Ability to Operate Successfully
3. Have Enough Own Capital to Add
4. Sound Proposition
5. Good Prospects to Repay

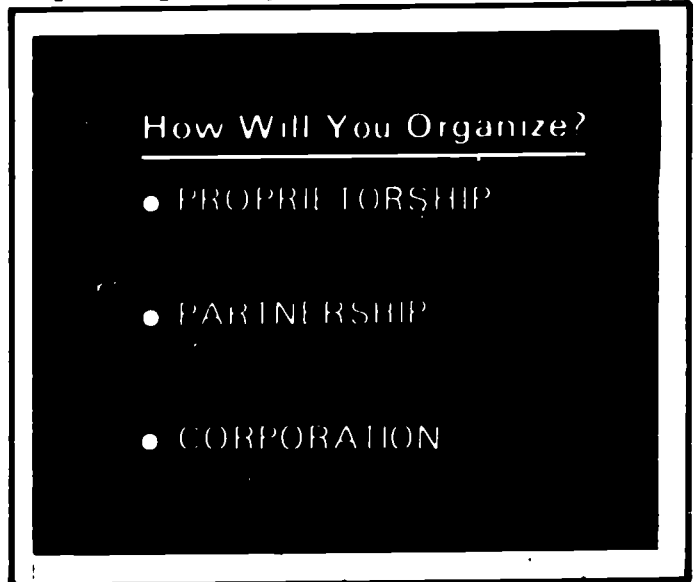
VAULT KEY V-8



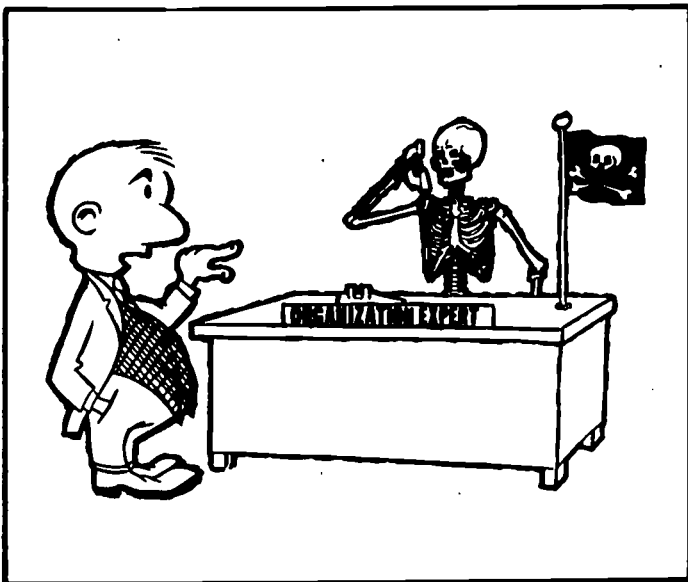
VAULT KEY V-9



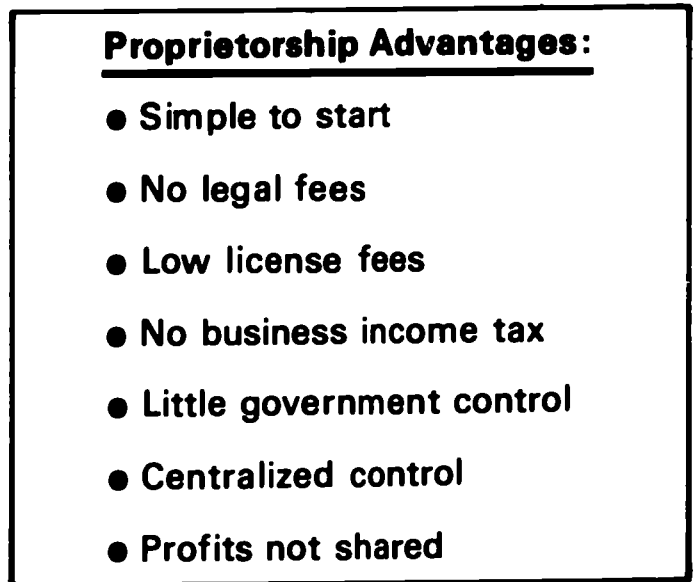
VAULT KEY V-10



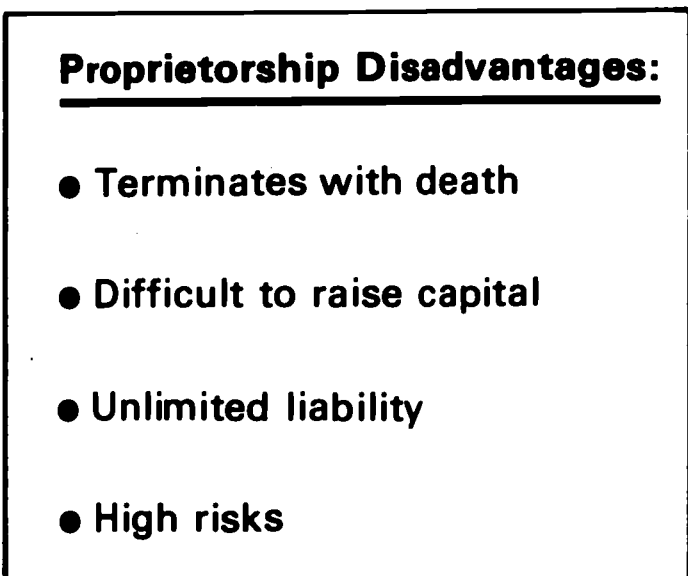
SKELETON KEY V-1



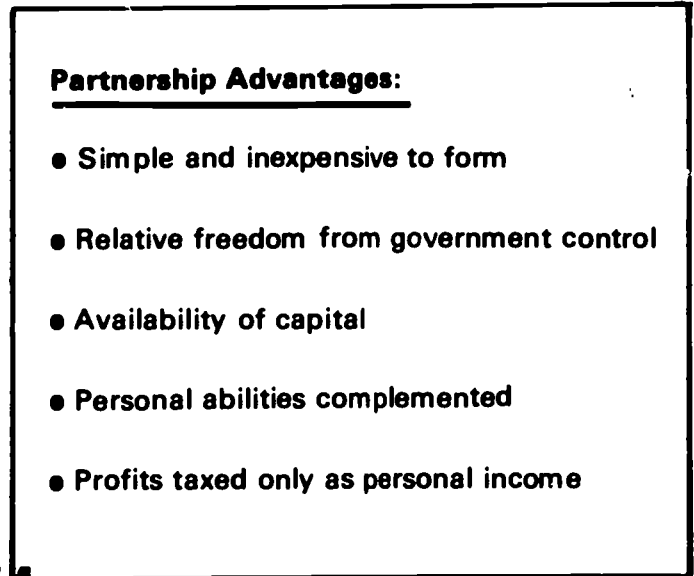
SKELETON KEY V-2



SKELETON KEY V-3



SKELETON KEY V-4



SKELETON KEY V-5

**Partnership Disadvantages:**

- Disagreements
- Responsible for partners
- Terminates at death

SKELETON KEY V-6

**Corporation Advantages:**

- Stability
- Simple ownership transfer
- Limited personal liability
- Favorable money resources

SKELETON KEY V-7

**Corporation Disadvantages:**

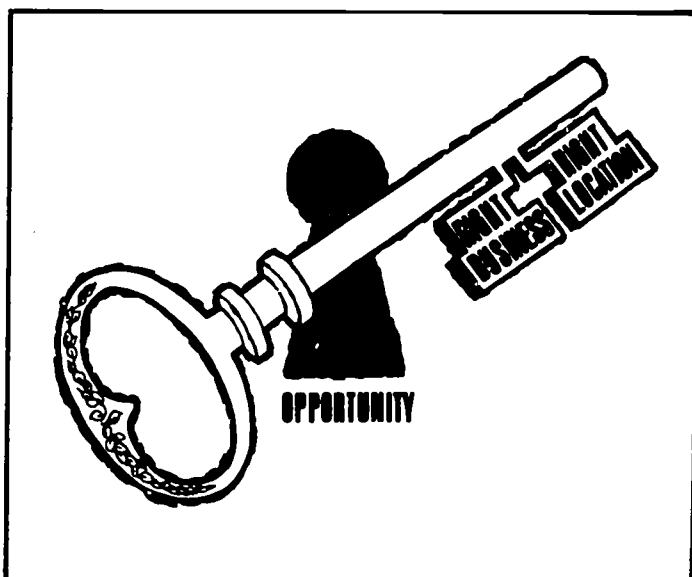
- Filing fees
- Legal requirements
- Limited flexibility
- Amount of government control
- Taxes on firm

SKELETON KEY V-8

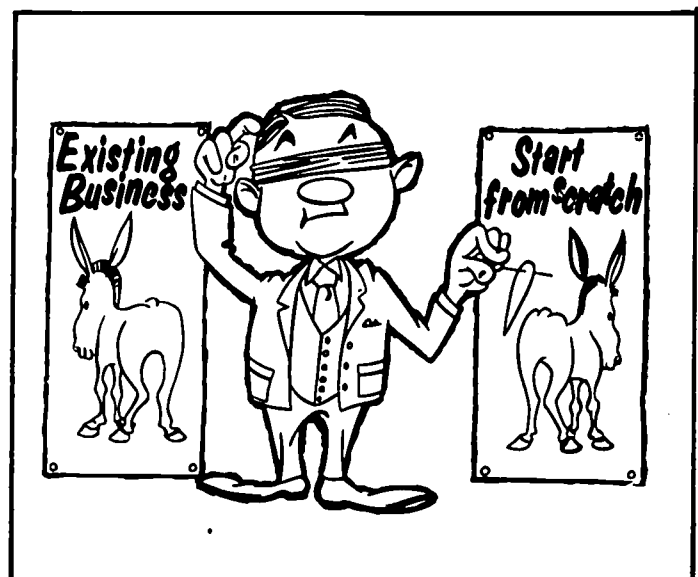
**STEPS TO MANAGEMENT ORGANIZATION**

1. State Activities
2. List Objectives
3. Separate Activities
4. Establish Authority
5. Assign Functions
6. Define Personnel
7. Prepare Organization Chart
8. Review and Analyze

SKELETON KEY V-9



FRONT DOOR KEY V-1



FRONT DOOR KEY V-2

### ADVANTAGES OF BUYING A GOING CONCERN

1. Proven Location
2. Stock on Hand
3. Established Clientele
4. Advice of Previous Owner

FRONT DOOR KEY V-3

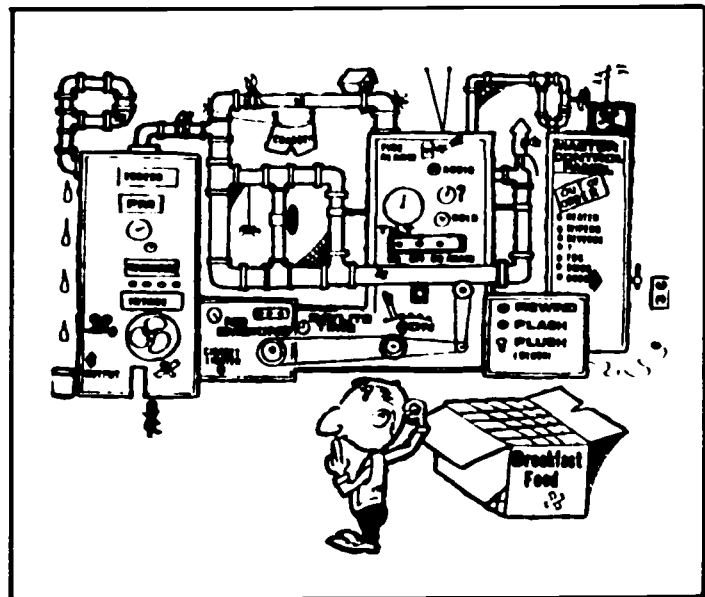
### DISADVANTAGES OF BUYING A GOING CONCERN

1. Price May be too High
2. May Inherit a Poor Reputation
3. Location may be Poor
4. Equipment Outdated or Poor Merchandise
5. Records May be Misleading

FRONT DOOR KEY V-4



FRONT DOOR KEY V-5



FRONT DOOR KEY V-6

### Advantages of Franchise

- Risk is minimized
- Training is provided
- Chain operation benefits
- Business plan is proven
- Reputation is established

FRONT DOOR KEY V-7

### Disadvantages of Franchise

- Loss of individual identity
- Lack of being own boss
- Limited control of growth
- Investment requirements
- Continuing obligation

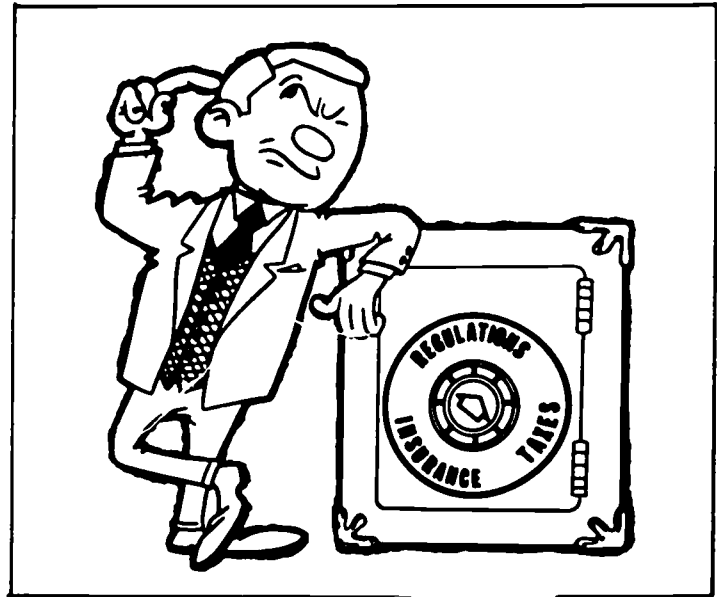
FRONT DOOR KEY V-8



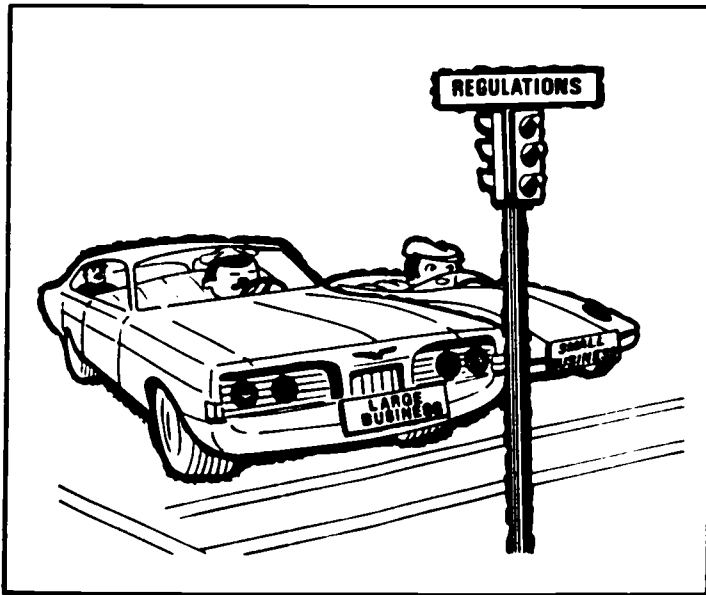
### FACTORS IN SITE SELECTION

1. Customers
2. Buying Power
3. Transportation Convenience
4. Parking
5. Competition
6. Business Neighbors
7. Building

FRONT DOOR KEY V-9



COMBINATION LOCK V-1



COMBINATION LOCK V-2



CONTROL KEY V-1

**BALANCE SHEET**  
**THE BLANK COMPANY**  
DECEMBER 31, 196-

ASSETS		LIABILITIES	
<b>CURRENT ASSETS</b>		Accounts Payable	\$1,400
Cash	\$1,200	Accrued Expenses	700
Accounts Receivable	2,300	Short Term Loans	1,000
Inventory	2,500	Long Term Loan	5,000
<b>FIXED ASSETS</b>		Mortgage	7,000
Land	3,000	<b>OWNER'S EQUITY</b>	
Building	15,000	John B. Blank	5,000
Equipment	2,500	Earned Surplus	1,000
	17,500		
Less Depreciation	5,500		
	12,000		
	\$21,200		\$21,200

CONTROL KEY V-2

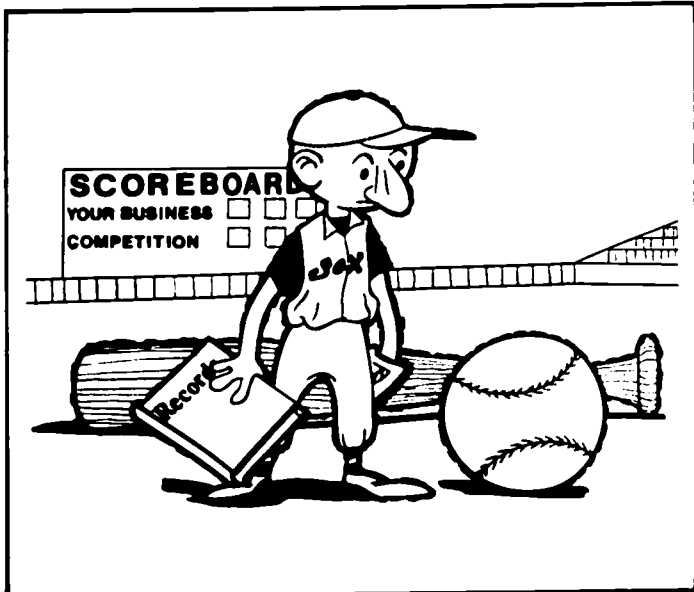
**PROFIT AND LOSS STATEMENT**  
**THE BLANK COMPANY**  
JANUARY 1, 196- to DECEMBER 31, 196-

SALES	\$50,000
COST OF GOODS SOLD	35,000
GROSS MARGIN	15,000
EXPENSES	13,400
PROFIT BEFORE TAXES	1,600
TAXES	400
NET PROFIT	\$1,200

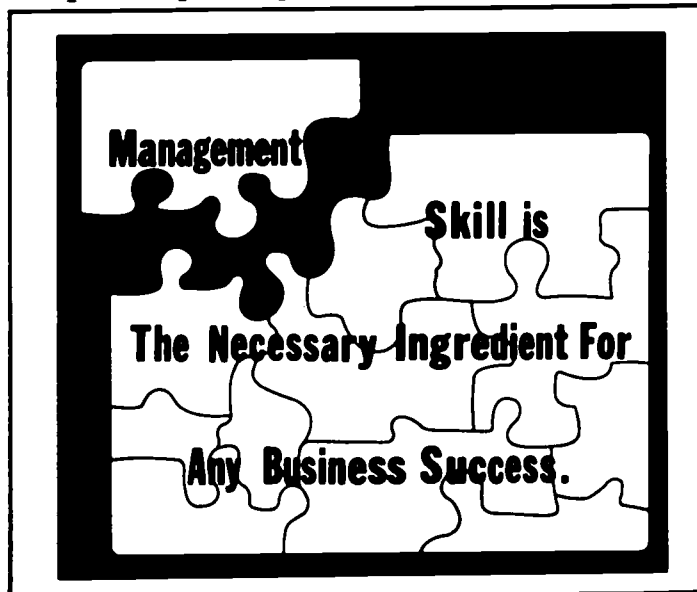
CONTROL KEY V-3



OVERHEAD PROJECTUALS For use with the Workshop script "Keys to a Business Success"



CONTROL KEY V-4

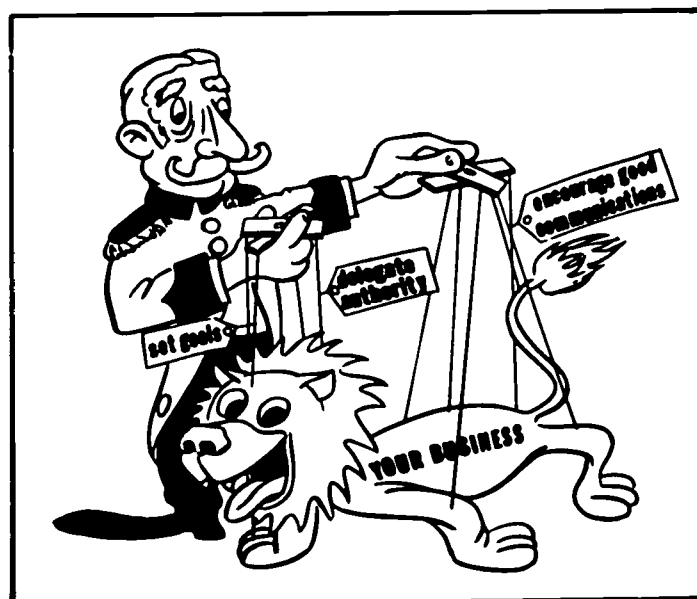


MASTER KEY V-1

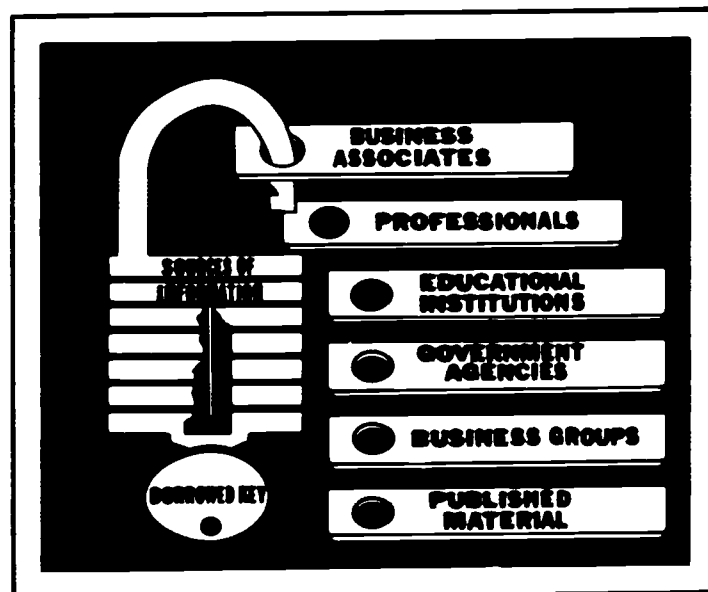
## MANAGEMENT PROCESS

1. Define Problem
2. Get Information
3. Formulate a Plan
4. Make Commitment
5. Carry Out Plan
6. Follow-Up

MASTER KEY V-2



MASTER KEY V-3



BORROWED KEY V-1

## Chapter VIII

### WORKSHEETS

#### 1. SBA Form 593 (1969 revision)

- a. A few special worksheet materials have been prepared for use during the "Personal Factors" "Financial Factors" and the "Sources of Capital" presentations. These are assembled into a package known as SBA Form 593. These may be obtained from local SBA offices.
- b. Discussion leaders should see that the specific forms relating to their presentations are available in the portfolio of materials handed out to Workshop attendees or be passed out by the leader during the presentation. The worksheets are essential to understanding the points made in the "Keys to A Business Success" script. The leader should be familiar enough with the forms to answer any questions which may arise.
- c. Those who are familiar with past workshops will note that the Florist Shop example has been continued in the new materials. This decision was made after full consideration of other examples which have been suggested. The reason is that this example continues to be useful--not because of the numbers of persons considering a florist shop business but because it is a typical and relatively uncomplicated example for use in the Workshop. It would be well to explain to the audience that the figures and percentages are not the important point to consider; rather that the procedure is one which should be followed in forming a new business.

#### 2. Utilization of Worksheets

- a. Time must be allowed for the attendees to study the worksheets and fill out the forms as directed. The leader and Master of Ceremonies should be prepared to help any attendees who are having difficulty with the forms.
- b. Be sure to explain to attendees that the worksheets are for their own use and will serve as a reference when they study their own business more fully.
- c. A copy of the Worksheets to be used, SBA Form 593 (1969 revision), follows.

## Rating Scale for Evaluating Personal Traits Important to the Proprietor of a Business

INSTRUCTIONS: Place a check mark on the line following each trait where you think it ought to be. The check mark need not be placed directly over one of the guide phrases, because the rating may lie somewhere between the phrases.

<b>Initiative</b>	Additional tasks sought; highly ingenious	Resourceful; alert to opportunities	Regular work performed without waiting for directions	Routine worker awaiting directions
<b>Attitude toward others</b>	Positive; friendly interest in people	Pleasant, polite	Sometimes difficult to work with	Inclined to be quarrelsome or uncooperative
<b>Leadership</b>	Forceful, inspiring confidence and loyalty	Order giver	Driver	Weak
<b>Responsibility</b>	Responsibility sought and welcomed	Accepted without protest	Unwilling to assume without protest	Avoided whenever possible
<b>Organizing ability</b>	Highly capable of perceiving and arranging fundamentals in logical order	Able organizer	Fairly capable of organizing	Poor organizer
<b>Industry</b>	Industrious: capable of working hard for long hours	Can work hard, but not for too long a period	Fairly industrious	Hard work avoided
<b>Decision</b>	Quick and accurate	Good and careful	Quick, but often unsound	Hesitant and fearful
<b>Sincerity</b>	Courageous, square-shooter	On the level	Fairly sincere	Inclined to lack sincerity
<b>Perseverance</b>	Highly steadfast in purpose; not discouraged by obstacles	Effort steadily maintained	Average determination and persistence	Little or no persistence
<b>Physical energy</b>	Highly energetic at all times	Energetic most of time	Fairly energetic	Below average

## Family Cost-of-Living Budget

(Based on average month—does not cover purchase of any new items except emergency replacements)

### DETAILED BUDGET

<b>Regular monthly payments:</b>	
House payments or rent .....	\$
Car payments (including insurance) .....	
Appliance-TV payments .....	
Home improvement loan payments .....	
Personal loan payments .....	
Health plan payments .....	
Life insurance premiums .....	
Other insurance premiums .....	
Miscellaneous payments .....	
<b>Total</b> .....	\$

<b>Family expense:</b>	
Clothing, cleaning, laundry .....	\$
Drugs .....	
Doctors and dentists .....	
Education .....	
Dues .....	
Gifts and contributions .....	
Travel .....	
Newspapers, magazines, books .....	
Auto upkeep and gas .....	
Spending money and allowances .....	
<b>Total</b> .....	\$

<b>Household operating expense:</b>	
Telephone .....	\$
Gas and electricity .....	
Water .....	
Other household expense, repairs, maintenance .....	
<b>Total</b> .....	\$

<b>Food expense:</b>	
Food—at home .....	\$
Food—away from home .....	
<b>Total</b> .....	\$

<b>Tax expense:</b>	
Federal and State income taxes .....	\$
Other taxes not included above .....	
<b>Total</b> .....	\$

### *Budget Summary*

Regular monthly payments .....	\$
Household operating expense .....	
Family expense .....	
Food expense .....	
Tax expense .....	
<b>Total</b> .....	\$

## Family Cost-of-Living Budget

(Based on average month—does not cover purchase of any new items except emergency replacements)

### DETAILED BUDGET

<b>Regular monthly payments:</b> House payments or rent ..... Car payments (including insurance) ..... Appliance-TV payments ..... Home improvement loan payments ..... Personal loan payments ..... Health plan payments ..... Life insurance premiums ..... Other insurance premiums ..... Miscellaneous payments ..... Total ..... \$	<b>Family expense:</b> Clothing, cleaning, laundry ..... Drugs ..... Doctors and dentists ..... Education ..... Dues ..... Gifts and contributions ..... Travel ..... Newspapers, magazines, books ..... Auto upkeep and gas ..... Spending money and allowances ..... Total ..... \$
--	--

<b>Household operating expense:</b> Telephone ..... Gas and electricity ..... Water ..... Other household expense, repairs, maintenance ..... Total ..... \$	<b>Food expense:</b> Food—at home ..... Food—away from home ..... Total ..... \$
Tax expense: Federal and State income taxes ..... Other taxes not included above ..... Total ..... \$	Total ..... \$

### *Budget Summary*

Regular monthly payments .....	\$
Household operating expense .....	
Family expense .....	
Food expense .....	
Tax expense .....	
Total .....	\$

### Personal Financial Statement

*I Own*

Cash ..... \$ \_\_\_\_\_  
 Bank accounts ..... \$ \_\_\_\_\_  
 Other ..... \$ \_\_\_\_\_  
 Securities—quick-sale value .....  
 Real estate—quick-sale value .....  
 Furniture—quick-sale value .....  
 Car—quick-sale value .....  
 Cash-value life insurance .....  
 Savings bonds .....  
 Other assets .....  
 Receivables .....  
 Total ..... \$ \_\_\_\_\_


I own ..... \$ \_\_\_\_\_  
 I owe ..... \$ \_\_\_\_\_  
 My net worth is ..... \$ \_\_\_\_\_


*I Owe*

Current household bills ..... \$ \_\_\_\_\_  
 Installment contracts .....  
 Car ..... \$ \_\_\_\_\_  
 Appliances .....  
 Personal loan .....  
 Other .....  
 Real estate mortgage .....  
 (describe) .....  
 Other loans .....  
 (describe) .....  
 Total ..... \$ \_\_\_\_\_


FLORIST SHOP  
FINANCIAL FACT SHEET

Kind of business: Retail florist

Products: Flowers, house plants, corsages, floral displays and floral supplies

Required number of inhabitants per store (Bureau of Census National Average): 9,034

Anticipated annual sales: \$35,000

Inventory rate of turn (Accounting Corporation of America): 23 times

Recommended inventory reserve: 35%

Rent at planned location: \$75.82

Licenses required: City Business License, \$10; State Sales Tax Certificate, \$1.00

Equipment needed: Display refrigerator, storage case, display stands, shelves, tables, window display equipment, wrapping counter, cash register, designer's work table, safe, outside sign (get bids).

-4-

SBA Form 593 (9-69)

**SCHEDULE OF FURNITURE, FIXTURES AND EQUIPMENT**

Item (Suggested list - omit or add items as required. Use separate sheets to list details under each main heading)	If cash purchase (New or used) enter full amount below and in the last column	If installment purchase (New or used) enter in the last column down payment plus at least one installment			Estimate of your initial cash requirements for furniture, fixtures and equipment
		Price	Down payment	Amount of each installment	
Display refrigerators		2,000	500	100	700.00
Supplemental storage case		500	100	25	150.00
Display stands, shelves, tables	550				550.00
Window display fixtures	300				300.00
Wrapping counter	150				150.00
Cash register		900	300	50	400.00
Lighting	200				200.00
Workroom tables	250				250.00
Delivery equipment	100				100.00
Safe	500				500.00
Outside sign		650	200	50	300.00
Miscellaneous equipment	900				900.00
<b>Total furniture, fixtures and equipment</b> (Enter total on page 10C under "nonrecurring initial capital requirements.") .....					<b>\$4,500.00</b>



FLORIST SHOP INITIAL CAPITAL REQUIREMENTS WORKSHEET

Page 1

<u>Item</u>	<u>Average Dollars/Mo. on \$35,000/Yr. Sales</u>	<u>Industry Ratio</u>	<u>Initial Cash Requirement for Two Months</u>
<u>Sales</u>	\$2,916.17	100%	
Cost of sales	1,356.83	46.52%	\$1,356.83 <sup>1/</sup>
<u>Gross Profit</u>	1,559.34	53.48	
<u>Fixed Expenses</u>			
Rent <sup>2/</sup>	70.00	2.40	140.00
Utilities	114.33	3.92	228.66
Insurance	29.46	1.01	88.38 (one
Taxes and licenses	25.67	.88	qtr.)
Interest	2.67	.12	
Depreciation	<u>64.17</u>	<u>2.20</u>	
Subtotal	\$ 306.30	10.53%	
<u>Controllable Expenses</u>			
Gross wages	\$ 333.67	11.44%	667.34
Labor <sup>3/</sup> , outside	34.42	1.18	68.82
Supplies	114.04	3.91	228.08
Repairs and maintenance	34.42	1.18	
Advertising	59.50	2.04	178.50 (one
Bad debt	105.30	3.61	qtr.)
Car and delivery	2.04	.07	4.08
Admin. and legal	24.80	.85	49.60
Misc. (all other expenses)	<u>51.92</u>	<u>1.78</u>	<u>103.84</u>
Subtotal	<u>760.11</u>	<u>36.59</u>	
<u>Total Expenses</u>	<u>\$1,066.41</u>	<u>36.59%</u>	
<u>Net Profit</u>	\$ 492.63	16.89	
<u>Initial Cash Requirement</u> (carry forward)			\$3,064.13

FLORIST SHOP INITIAL CAPITAL REQUIREMENTS WORKSHEET

Page 2

<u>Initial Cash Requirement</u> (carried forward)	\$3,064.13
<u>Nonrecurring Initial Capital Requirements</u>	
1. Decorating and remodeling	--
2. Furniture, fixtures and equipment (from Item #_____)	4,500.00
3. Installation costs of fixtures and equipment	--
4. Inventory reserve of 35%	474.89
5. Accounts receivable (50% of 30 days' sales)	1,500.00
6. Deposits with public utilities, sales tax deposit, etc.	50.00
7. Initial advertising and promotion	150.00
8. Rent (one month deposit in advance)	70.00
9. Reserve for petty cash	<u>20.00</u>
Subtotal	<u>\$6,764.89</u>
Family income requirements (two month - from Item #_____)	_____
Total Initial Cash Requirement	<u>=====</u>

- 1/ Inventory rate of turn: 24 times, or \$738 every 15 days  
(ratios based on \$25,000-\$50,000 annual sales)
- 2/ Assumes rental of premises rather than purchase.
- 3/ Does not include owner's compensation.

Table 2. -- Number of inhabitants per store by selected kinds of business

National Averages

Kind of business	Number of inhabitants per store	Kind of business	Number of inhabitants per store
<i>Food Stores</i>		<i>Automotive groups--Cont'd</i>	
Grocery stores, including delicatessens .....	770	Aircraft, boat, motorcycle dealers .....	30,197
Meat markets .....	11,463	Household trailer dealers .....	46,156
Fish (seafood markets).....	51,971	<i>Lumber, building materials, farm equipment dealers</i>	
Fruit stores, vegetable markets	21,259	Farm equipment dealers.....	11,530
Candy, nut, confectionery stores .....	12,594	Lumber, building materials dealers .....	6,510
Dairy products stores.....	29,728	Paint, glass, wallpaper stores .	16,239
Bakery products stores.....	10,126	Heating, plumbing, equipment dealers .....	40,589
<i>Eating, drinking places</i>		Hardware stores .....	6,374
Eating places.....	842	<i>Drug stores, proprietary stores</i>	
Drinking places (alcoholic beverages) .....	1,705	Drug stores.....	3,749
<i>General merchandise</i>		Proprietary stores.....	42,740
Department stores.....	44,379	<i>Other retail stores</i>	
Dry goods stores.....	34,152	Fuel, ice dealers.....	7,559
General merchandise stores.....	6,899	Hay, grain, feed stores .....	13,547
Variety stores .....	8,430	Farm, garden supply stores....	16,774
<i>Apparel, accessory stores</i>		Jewelry stores.....	9,011
Shoe stores.....	7,679	Book stores .....	59,815
Women's clothing specialty stores .....	4,247	Stationery stores.....	33,290
Children's infants-wear stores ..	33,057	Sporting goods stores.....	17,270
Men's and boys' wear.....	8,403	Bicycle shops .....	100,083
<i>Furniture, home, furnishings, appliance dealers</i>		Florists .....	9,527
Furniture, home furnishings stores .....	3,437	Cigar stores, stands.....	38,509
Household appliances, radio, TV stores .....	6,148	News dealers, news stands....	29,533
Music stores, records and musical instruments .....	23,363	Gift, novelty, souvenir stores..	14,965
<i>Automotive groups</i>		Camera, photographic supply stores .....	57,030
Passenger car dealers (franchised) .....	5,657	Luggage, leather goods stores .	140,684
Passenger car dealers (non-franchised).....	6,741	Optical goods stores.....	14,792
Tire, battery, accessory dealers .....	7,284	Antique, secondhand stores....	7,313
		Hobby, toy stores .....	44,099
		Pet shops.....	82,455

Source: Bureau of the Census, U.S. Department of Commerce. Number of establishments from 1963 Census of Retail Trade. Number of inhabitants residing in the United States (excluding Armed Forces overseas), as of July 1, 1963. (These are the latest census figures available, June 1967.)

Chapter IX  
EVALUATION SHEET

1. Workshop Evaluation

- a. It is considered especially important that an evaluation of each workshop be made by the participants.

These evaluations are used to measure how many people are being reached, of what types and how the workshops are being received.

- b. A sample Workshop Evaluation form is included on the following page. This is SBA Form 920

2. Utilization of the Workshop Evaluation

- a. It is suggested that the forms be passed to each participant near the completion of Workshop (after presentation of the 9 "keys" topics but before the panel discussion if any).
- b. Please explain to the participants that we are inviting them to evaluate the Workshop for us. Explain that it is not necessary for them to sign the forms--we want them to feel free to criticize as well as commend those parts of Workshop which they feel most strongly about. Allow time for completion and tell the participants how the sheets are to be collected.
- c. Please assign someone to collect and tabulate the evaluations. Inasmuch as the evaluation responses can be an important source of useful information for improving workshops, you are urged to study them carefully and objectively.

3. Evaluation Results

- a. During the preparation of the Workshop script and the accompanying materials, a field test was held by three SBA Regional Offices. A total of four actual workshops were held with participants representing typical groups, including those made up largely of economically disadvantaged people. The results of their evaluations were used as a guide, along with their other suggestions in the final editing of the Workshop materials.

### WORKSHOP EVALUATION

The workshop for prospective and new small business owners you are attending is a service of the Small Business Administration. We hope it has been of value and that you will tell others about it. Naturally, we are anxious to make workshops as good as possible, so we would appreciate your responses and suggestions. We are interested in your criticisms as well as your comments, so no names, please.

Please respond to the following evaluations on the lines provided.

	Yes	No
	x	x
Do you like the workshop theme? . . . . .	_____	_____
Did you find the subjects interesting? . . . . .	_____	_____
Did the speakers seem to cover their subjects adequately? . . . . .	_____	_____
Do you think the workshop should be shorter? . . . . .	_____	_____
Did you have enough time to ask questions? . . . . .	_____	_____
Were the visuals used in the workshop helpful to you? . . . . .	_____	_____
Did the film, "A Case in Point" help to explain SBA services? . . . . .	_____	_____
Did the film, "Three Times Three" add to the workshop? . . . . .	_____	_____
Would you recommend the workshop to others? . . . . .	_____	_____
Do you plan to order any SBA publications? . . . . .	_____	_____
Would you like to attend an SBA management course? . . . . .	_____	_____
Do you now operate your own business? . . . . .	_____	_____
Has the workshop increased your desire to start a business? . . . . .	_____	_____
Has anything convinced you <u>not</u> to start a business? . . . . .	_____	_____

If yes, please comment \_\_\_\_\_  
 \_\_\_\_\_

If you plan to start a business, what type would it be? \_\_\_\_\_

How did you find out about the workshop? \_\_\_\_\_

What did you like most about the workshop? \_\_\_\_\_

How could the workshop be improved? \_\_\_\_\_



## CHAPTER X

### WORKSHOP GLOSSARY

The following glossary is included as an aid to be handed out with the Workshop materials in order to assist those who may not understand the terms being used. The GLOSSARY was designed for ready reference during the Workshop or as a reference for the participants to keep and use while planning their businesses.

## GLOSSARY OF BUSINESS TERMS

The following terms are used in the SBA Workshops for Prospective Small Business Owners script, "Keys to Business Success". The simple definitions given are not intended to be the only or complete definition but rather a "clarifying" definition in the context of the Workshop presentation.

- accountant - one who is skilled at keeping business records. Usually, the name "accountant" refers to a highly trained professional rather than one who keeps books. An accountant knows how to set up the books needed for a business to operate and he can help a business owner understand what the business records mean.
- account - a record of a business transaction or "deal". When you buy something on credit, the company you are dealing with sets up an "account". This means they set up a record of what you buy and what you pay. You will do the same thing with any customers to whom you extend credit. At the bank, you will also have an "account", again a record of what you deposit and withdraw.
- accounts receivable - a record of what is owed to you. All of the credit "accounts"--the record of what each customer owes you--taken together are your "accounts receivable". Even though you don't have the money in hand, that money which is owed to you is an asset, just as money in the bank is an asset. Your "accounts receivable" is something you have to know in order to know what your business is worth at any time. Of course, your accounts receivable must be collected to become a real asset.
- analysis - breaking an idea or a problem down into its parts or a good examination of the parts of anything. In business you must "analyze", that is make an "analysis", of a problem before you can decide on the best solution. Let's say that your problem is some item that isn't selling well. You "make an analysis" by gathering all the facts as to why the item is not selling. Maybe you make a list of things which might be wrong or ask questions like: is the price right? What have customers said about the item, are the packages or displays dirty or unsightly, is the thing old fashioned or out of date? Does it do the job it is supposed to do? Do



your customers have any need for it? And anything else you can think of which might help you explain why it doesn't sell. When you look at any problem closely--examine all its parts--what might be done to solve the problem should be clearer in your mind.

asset -

anything of worth that is owned. Your personal assets (not counting your abilities) are the money you have in your pocket or in the bank, whatever is owed to you, any securities which you own, the property you own, whatever part of your home that you own, your furniture and appliances and all the miscellaneous things which you personally own. The assets of a business are just the same: money in the bank, accounts receivable, securities held in the name of the business, property or buildings, equipment, fixtures, merchandise for sale or being made ready, supplies and all the real things of value which the business owns.

articles of  
incorporation -

a legal document filed with the state which sets forth the purposes and regulations for a corporation. These papers must be approved by the appropriate state office before a corporation legally exists and is allowed to do business. Each state has different requirements and the procedures are complicated so it is usually necessary to hire a lawyer specializing in corporate law to set up and get approval for a corporation.

bad debts -

money owed to you that you can't collect. Of course, a business should never give credit or loan money to anyone who is not a good risk. That's why credit and collections must be carefully considered by every businessman. When it is apparent that an account is not collectable--that account ought not to remain on the business books as an asset. An accountant can advise when and how to enter such accounts as "bad debts".

balance -

(first meaning) the amount of money remaining in an account. The total of your money in the bank after accounting for all transactions (deposits and withdrawals) is called a "balance". Also, the amount of money you owe a creditor or a customer owes you is called a "balance".  
(second meaning) when the amounts of money in a positive (credit) account and a negative (debit) account are equal. Think of an account like an old fashioned scales. When there is nothing on either

side of the scale it is in balance. When credit is extended, it is like putting an amount of money on one side of the scale--the weight makes that side go down. When money is paid on the account it is like putting money on the opposite side of the scale--it offsets the weight of the other side. When enough money is paid back, the scales will equal or "balance" again. Books are kept as a convenient way to keep track of these positive and negative changes in an account and these business records allow you to figure your assets and liabilities at any one time. A business needs these records both for what they sell on credit and what they buy on credit.

balance sheet -

an important business record which shows what a business owns and owes at any one time. Essentially a "balance sheet" is a list of business assets and their present value on one side and a list of liabilities on the other side along with the amount for each. The liabilities include all that is owed, including the net worth of the business which the business "owes" the owner. If the balance sheet has been figured correctly, it must balance.

business venture -

taking financial risks in a commercial enterprise. The reason for risking your money, of course, is the hope of making a profit on your investment. One should always understand that there is a chance of losing money as well as making it--particularly when a business is new. Successful businessmen have learned that they can control the risks by practicing good management and getting good advice from bankers, accountants, lawyers and business associates.

capital -

available money to invest or the total of accumulated assets available for production. Put another way, your capital for going into business is the total of your property and money resources which you can make available for the business and whatever you will need to live on while getting the business going. Later on, if your business is successful, the business will accumulate "capital" in the form of property, goods and money (including securities).

cash -

money in hand or readily available. Currency--hard money, bills and negotiable securities (like checks)--in your cash drawer is cash. But so is the money you can draw on demand--your bank accounts or savings accounts also represent "cash". Cash is what you must have to keep a business going and

it isn't unusual for even a very successful business to run out of "cash", particularly as the business is growing. Keeping a supply of "cash" is very important so good managers plan ahead on their cash needs.

capital  
requirement -

a list (or schedule) of expenses which must be met to establish a business. Even before a business is started, the owner should start keeping records. One that is very important is a list of expected expenses and initial costs in order to establish how much capital must be invested to keep the business operating financially. Such a list must include all expected costs and have a margin of extra for the unexpected. What happens to many small businessmen is that they fail to figure on all the expenses and costs which must be met. One of particular importance (and often forgotten) is the amount of money the businessman will need for living expenses until the business starts earning a profit.

cash receipts -

the money received by a business from customers. "Cash receipts" are to a business what food and water are to anything living. An animal can live on its stored up food for only so long and then if it doesn't get more, it dies. A business will die, too, if it does not have a regular, sufficient flow of cash. A business can survive just so long on its stored up capital. A businessman preserves his capital as much as possible and tries to control his cash receipts so that the business can continue.

contract -

an agreement regarding mutual responsibilities between two or more parties. In business law a "contract" exists when there has been a meeting of minds--whether or not the contract is written. However, contracts are usually in written form but should never be taken lightly because they legally bind the parties to the agreement. Any business contract should be examined by a lawyer who knows business law. Even with legal help, a contract should be read thoroughly and only signed after its meaning is clearly understood. One word of caution--many sales forms or order blanks are binding contracts and should not be signed unless the terms of the agreement are well understood.

controllable  
expenses -

those expenses which can be controlled or restrained by the businessman. Some of the costs of doing business can be postponed or spread out over a

longer period of time. For example, depreciation on equipment is a "controllable" expense in the sense that it isn't required if the businessman puts off obtaining new equipment until the level of business is such that it can support the new purchase and its depreciation allowance.

chain of command -

the proper lines of authority between the head of an organization, its managers and supervisors and its workers. It is well understood that there needs to be direct lines of authority in a military organization so that each man understands to whom he reports and from whom he takes orders. The same is true in a business organization although this doesn't mean that one should run a business like an army unit where commands are not to be questioned. What it does mean is that a good manager will take it upon himself to have employees understand the order of authority and the method of communicating with management. In every well organized business there should be a direct line of authority which everyone understands. Sometimes a chain of command graph is useful in making this clear.

corporation -

a business venture comprising a group of individuals or objects treated by the law as an individual. A business corporation is an artificial personage, created by a state charter, which can do business as a separate entity the same as individuals can do in a sole proprietorship or a partnership. The corporation business acts on its own through its officers and is empowered to make contracts and carry out business activities like an individual. Unlike other types of ownership, the shares of a corporation may be owned by a number of persons.

co-signers -

joint signers of a loan agreement, pledging to meet the obligations in case of default. When you ask someone to "co-sign" a note, you are asking them to share a debt with you if you can't pay it back. They guarantee the loan will be paid back and the lender can take legal action to take their property if they refuse to pay. Borrowing money this way is a considerable obligation for the co-signer and should not be entered into lightly by either the borrower or co-signer.

debit -

debts recorded. Bookkeeping deals with "credits" and "debits". It's a convenient way to put down on the books the additions and subtractions of business capital. "Debits" are minus or negative entries in the books--they are the money that is spent or taken out of a particular account. Usually, books are set

up so that "debits" are recorded on the left hand column of an account. You should think of them as small debts to each account or the total debts of an account.

debts -

that which is owed. If you borrow money, buy something on credit, or receive more money on an account than is owed, you have a "debt"--an obligation to pay back whatever amount of money or goods is involved. Going into "debt" was once considered a sin but can be a useful and often necessary way of doing business. A "debt" though is a bad thing when it is larger than the ability of the borrower to repay and must always be carefully considered before it is made.

default -

failure to pay a debt or meet an obligation. Any debt is a trust and failure to pay it is a violation of a high obligation. If you "default" you demonstrate that you are untrustworthy and unreliable--two damaging attitudes toward your reputation. In business such a reputation can, and probably will, cost you business, restrict your credit and lose you valuable creditors and business friends.

demand -

an order to comply with an obligation. In business we speak of paying on "demand". This simply means that the obligation must be satisfied immediately when requested. Contracts are often written with a "pay on demand" clause. This means just what it says, the debtor must pay when asked if the terms of the contract agreement have been met.

depreciation -

a decrease in value through age, wear or deterioration. You have all heard it said that an automobile "depreciates" as soon as it is driven off the lot. It becomes a "used" car immediately and is worth something less to a buyer than when it was brand new. All of the equipment which you buy for a business is the same way--it begins to depreciate immediately and is worth something less as it continues to be used. Depreciation is a normal expense of doing business but it is a real expense which must be taken into account. As a new piece of equipment is purchased it is set up as an item in a "depreciation account" whereby it can be expensed over a period of time. There are laws and regulations governing the manner and periods of time that may be used for depreciation inasmuch as the rate of depreciation affects income and capital on which a business pays taxes.

- economic - pertaining to money or financial matters. We speak of "economics" as the management of resources whether we are talking about a nation, city, a business or an individual. Business itself is a subject of economics and the economic situation affects every business in some way. A small businessman does well to have a basic understanding of economics because it is such an important matter in the conduct of business.
- enterprise - a business firm or a business undertaking. The word "enterprise" means any hard, dangerous or important undertaking or project. Its a good name for a business because a successful business takes all these things.
- embezzlement - to steal or take by fraud another's property for one's own use. This dishonest act is one of the great perils of doing business. Seemingly trustworthy people sometimes are moved to steal from their employers and associates. Many businesses have been unable to survive the effects of such acts. There are three ways to protect a business against the probability of embezzlement--careful selection of those people who are the best risks business practices which make embezzlement difficult, and business insurance or bonding against any loss that may occur.
- entrepreneur - a person who organizes and manages a business. This is a French word borrowed from that language and now a part of regular English. Its popularity probably comes because it has a grand sound as befits anyone who has the initiative to create and run a business.
- equity capital - venture money. In order to go into business you will most certainly have to lay it on the line. You put up savings or property when you go into business and you do it in hopes of getting a good return. Unfortunately, some people who have worked hard and protected their savings magnificiently allow themselves to be dazzled by the prospect of their own business and make their investment foolishly. Most often they have little but heart-ache and debts to show for their effort. So it is very important to consider carefully before investing in your own business and to take all the steps you can to assure a business success and the protection of your "equity capital".



factors -

1. something which contributes to a result.
2. a finance company specializing in high risks loans (usually at high interest rates). English is full of words with more than one meaning. Here there are two meanings which apply to business. The first has to do with "facts" or "factual things" which are a part of any subject. We speak of the "factors" in borrowing money and what we mean is the individual considerations or facts which the banker or loan officer must know in order to approve a loan. The second meaning of "factor" is quite different and has to do with money lenders who make a business of loaning money for a short time and for purposes where the risks may be high. Factors who loan money to a business, usually require collateral and may exercise control of your business decisions.

financing -

obtaining money resources. Businesses usually have to obtain financing at some time--either to go into business or expand operations (hopefully not just to stay in business). The time to set up relationships with those who might finance your business is before you need the money. Maybe you won't ever need to finance anything but that would be most unusual so you would be well advised to lay the groundwork for it early.

financial statement -

a record of total assets and liabilities. Knowing what you or your business is worth is rather important. It's one of the things you need to do in order to find out whether you are advancing or retreating in the conduct of your affairs. In a sense the financial statement is the certificate of success or failure. In order to borrow any appreciable amount of money, the lender will require you to prepare an accurate financial statement but even if it is not required for a loan, you need it to help you make the decisions about whether or not to go into business and how much you can afford to invest. Then, you should still make a periodic financial statement just to see how you are doing.

fixed expenses -

those costs which don't vary from one period to the next. Generally, these are expenses that are not affected by the volume of business. Rent, for example must be paid whether or not any business is accomplished. Fixed expenses are the basic costs that every businessman knows he will have each month.



franchise  
(franchisor,  
franchisee) -

a right or privilege to deal in a certain line or brand of goods and services. A franchising company (franchisor) is in the business of "selling" businesses or brands to small businessmen. Usually, the franchisor and the businessman who agrees (franchisee) enter into a binding contract where the franchisor supplies the product, materials and a certain amount of know-how and the franchisee agrees to handle the product exclusively and run his business to certain standards prescribed by the franchisor. Such a relationship may be mutually advantageous but is a long term arrangement that should be carefully examined before accepted.

functional -

performing a function or carrying out a characteristic action. In the sense in which the word is usually used, it describes a thing which is more useful than ornamental and that is related to its basic function. In business, we speak of a "functional" organization and it simply means an organization around the activities which the business engages in rather than the more formal "line management" organization. A "functional" organization implies that it has specialists who function as managers rather than managers who only manage and are not specialists.

gross -

overall total before deductions. Another way to put it is that "gross" means the whole amount. A businessman has to learn early the difference between "gross" and net figures. Many people beginning in business get fooled by the gross figures. For example, a business shows a substantial "gross" profit but by the time additional expenses are deducted the amount of the "net" profit is small. Another meaning of "gross" is something that is "very wrong" and that's exactly what it is if a businessman gets confused on what gross figures really mean.

income -

money coming in. In a business sense, "income" is really pretty much the same for the business as for an individual. One's income is all the money received before anything is taken out and that's what it is in a business enterprise. One must not confuse the gross income of a business with his personal income (net income) from the business. As clear as that should appear to be many small businesses have failed because the owner misled himself into thinking he was doing better than he really was.

- industry ratio - the standard or "average" percentage of expenses spent by firms in a similar type of business (i.e. firms in the same industry). These "industry ratio" figures are very important guidelines for a business. It is not that a businessman ought to spend exactly the same percentage as the average for his business but by comparing his costs with what many other businesses spend, he can look for areas that seem out of line. If, for example, he is spending just half as much for advertising as the industry ratio, he would do well to consider if additional advertising might be helpful in building his sales.
- interest - the cost of borrowing money. Just as you are interested in a return on your investment in your business, the lender of money is interested in a return on his investment. Banks and loan companies are businesses like any other. They have to receive a profitable income or they can't attract money, expand and provide the services which banks must provide. Of course, any interest you pay comes right off the top of your income and is profit that you can't make for yourself. Shop for a good price on "interest" as you would for anything you buy and get advice on how to figure the real interest.
- inventory - a list of present or current assets. If you are in a retail business, the stock you have on the shelves is "inventory" but then so are your available supplies, goods received or stored and any expendable items on hand. As a regular part of the bookkeeping process inventory must be periodically counted because any inventory is a part of your current assets needed to figure what the business is worth.
- invest - lay out money for any purpose from which a profit is expected. One way to evaluate whether an investment in a business is worthwhile is to consider what you would receive on that same amount of money put into a low risk investment. Certainly, the prospects should clearly be for a much greater return if the money is risked in a business.
- lease - a long term rental agreement. A "lease" arrangement is mutually advantageous to both the lessor (renter) and the lessee (one who rents). The agreement gives the landlord assurance that he will have the property rented but it also protects the renter because it assures that the business property will not be rented out from under the business. It is a good

idea to have lease options for extending the rental periods. However, one word of caution-- businesses often find that they are in trouble because they did not plan on sufficient space but were bound by a lease which they could not get out of.

liability -

debts or that which is owed. This is another common word in business that is confusing. We speak of liability insurance which is insurance to cover any claims which are brought against the policy holder (for which he is sued). But when we speak of a business "liabilities" we are usually speaking in an accounting sense--those obligations of the business as opposed to its assets. Of course, as an owner the business has a "liability" toward you so with the lists of what the business owes (its liabilities) there is always carried an ownership liability which is the difference between what a business owns and what it owes to those other than the owners.

liability insurance -

risk protection for accidents for which a business is liable. Insurance that a business carries to cover the possibility of loss from law suits in the event the business or its agents were found at fault when an accident occurred. It protects the business investment.

limited partnership -

a legal partnership where some owners are allowed to assume responsibility only up to the amount invested. The idea for a limited partnership is that some investors may put up money for a business venture without being directly involved in its operation and so are not held responsible for the debts of the other partners beyond the possible loss of the money they have invested.

line position -

a place of authority in a "Line" organization. In a "line position" the person involved is organizationally responsible only to the man directly above him in the organization.

liquidate -

to settle a debt or to convert to cash. This literally means to do away with. In a business sense it means to do away with a debt by paying it or to do away with assets by selling them and thus turning them into hard cash.

- loan - money lent at interest. A lender makes a "loan" with the idea that it will be paid back as agreed and that interest will be paid as a sort of "rent" for the use of the money.
- management - the art of conducting and supervising a business. It isn't enough to just invest money in a business--the business must be nurtured, protected and helped along to success. The manager does more than manage people, which most everyone understands, for he must also manage things. Another way to look at it is that "management" is the exercise of judgement in the affairs of the business.
- marketing - all the functions involved in purchasing and selling. It is often said about business that nothing happens until somebody sells something. Certainly, there can't be a business without something to sell and someone to sell to so marketing is really the stuff of which business is made. Marketing is all the things a business does to sell its goods including advertising, sales promotion and even public relations.
- merchandise - goods bought and sold in a business. "Merchandise" or stock is a part of inventory. In usage merchandise has come to mean anything movable that may be sold or traded.
- motivation - strong influence or incentive. Motivation is the thing which moves a person to do anything that he does. "Motivation" may be something which the person himself is not even aware of and a whole field of business psychology has grown up around motivation research--the hidden reasons why people buy things.
- net - what is left after deducting all charges. (See "gross").
- nonrecurring - one time; not repeating. "Nonrecurring" expenses are those involved in starting a business which only have to be paid once and will not occur again.
- obsolescence - declined in value because of replacement by new and/or better things. A businessman has to be aware of changing patterns in the things which people buy. People have a way of wanting whatever is the latest or the newest in most things so a businessman will do well not to overstock items which tend to change style.

- objective - something toward which effort is directed; something to accomplish. It's interesting that "objective" also means realistic and we might say that "objectives" are realistic goals that we set to produce some end result.
- operating costs - expenditures arising out of current business activities. In other words, your "operating costs" for any period of time is what it cost you to do business--the salaries, electricity, rental, deliveries, etc., that were involved in performing the business dealings.
- operating ratios - the relationship of costs from business activities. What percentage of your costs went for rent? How does it compare with other businesses like yours? These are facts which a business needs to know if it is efficient and not wasting resources.
- operating organization - the plan for doing business. The management structure as opposed to the legal structure of a firm is its operational organization.
- organize - to put in order. A good manager can "organize" just about anything--people into a work force, bills into a payment schedule, or merchandise into a display plan. There is a kind of logic to everything and using that logical pattern in business affairs can make just about any task a lot simpler and easier.
- owner manager - one who operates his own business. One of the greatest assets which an "owner manager" has is his flexibility to meet problems. He doesn't have to call a committee together or consult the board of directors to take action. Being a good owner manager is among the highest of callings and is one of the most satisfying of endeavors.
- ownership organization - the legal structure for a business. How a business is organized legally depends upon how it is owned. If one person owns it--it's a proprietorship (usually), if several own jointly as owner-managers--it is a partnership unless incorporated. If many people own a business--it most certainly is some form of a corporation.



- partnership - a legal business relationship where individuals share responsibilities, resources and profits. Partnerships are built on mutual trusts but friendships have a way of becoming strained so trust should be backed up with a firm agreement in writing.
- payable - ready to be paid. One of the standard accounts kept by a bookkeeper is "accounts payable". This is simply a list of those bills which are current and due to be paid.
- personnel - persons collectively in the employ of a business. As a small business grows, it will need people to handle the expansion of business and carry out the work of the business. Your personnel are a part of your business and deserve consideration as full fledged members of the firm even though they may not share in the firm's ownership and profits.
- pledge - to bind by a promise, to give possession of something of value as security on a loan. There has to be a great deal of trust between parties doing business--indeed it seems doubtful that business itself could proceed without it--it is the basis for all credit transactions, most business agreements and the general conduct of commerce. For the most part, we accept the "pledge" of other people about most business things without question and happily they keep their promises. However, another kind of "pledge" is sometimes necessary which calls for a more formal arrangement, particularly where sizeable amounts of money are involved. In these cases the borrowing party "pledges" (usually in writing) to give possession of some of his capital assets if he is unable or does not meet the terms of his obligation.
- posting - to enter in an account. Literally, "post" means to give a position to something so when you "post" figures in a ledger, you are assigning them their right position in the firm's account books.
- pricing - to set a value upon something. "Pricing" is one of the small businessman's most important management functions but it is one that is too often left to chance. How well the businessman handles his pricing may well determine if and how much profit he will receive and often how much business he will get. Anything as important as "pricing" certainly should not be left to "what the traffic will bear" or "what the other outfits are charging". It is

far better to figure prices scientifically by figuring out all the costs involved and adding a fair profit, then compare your price with the market.

principal -

property or capital assets as opposed to income; also, one who is directly concerned in a business enterprise. This is still another of those confusing words with more than one meaning but if you really consider that it means "the first in importance" whether we are talking about people or capital assets the meanings make more sense. Therefore the money you invest in a business is the first in importance--principal--and if you are investing money and/or effort in business you are a "principal".

profit -

financial gain; returns over expenditures. Simply put, "profit" is what you've got left after paying for everything. Hopefully, the profit represents a good return in the investment in a business plus a sort of reward-payment for good management. But never take profit for granted--it can be disappointing.

profit margin -

an allowance above expenditures in a price. A businessman plans for his profits by building them into his prices (see pricing).

profit & loss statement -

a list of the total amount of sales less expenses and costs to show the amount of "profit or loss" for doing business. It is sometimes called an "income statement".

proprietorship -

subject to exclusive ownership. A "proprietor" is one who owns a business and a business owned by one person is called a "proprietorship."

ratio -

the relationship of one thing to another. A "ratio" is a short cut way of comparing things which can be expressed as numbers or degrees. For example, we say that a green grocer has a 10 to 1 loss ratio on lettuce and that's a short cut way for saying that for every 10 heads of lettuce that the grocer buys, on the average, he loses one head that doesn't sell or spoils before it can be sold and so has to be thrown away. Ratios of this kind are figured by keeping figures over a period of time--for example the grocer may have learned his loss "ratio" by keeping track of how many heads of lettuce he sold



during the month and counting those he threw away. The "ratio" here is figured by dividing the number lost into the number sold.

receivable -

ready for payment. When a businessman sells on credit, he keeps "accounts receivable" as a record of what is owed to him and who owes it. In accounting a "receivable" is an asset--it represents money that is owed to you. As such "receivables" are listed as a current asset in the balance sheet.

regulations -

rules or laws (affecting a business). It is accepted in our system of government that the state has the obligation of protecting citizens so government sets up laws which prevent injury to citizens. Some of these have to do with business practices and must be followed to avoid penalties. Of course, many such regulations benefit the small business man.

reserve -

that which is held back or stored for future use or in case of emergency. The success or failure of many young businesses depends upon their abilities to weather a financial crises. Even though the businessman should plan his financial needs in greatest detail, unforeseen expenses are likely to occur sometime so he should have sufficient "reserves" to meet an emergency.

retail -

selling directly to the consumer. Selling in large quantities to dealers for resale is a "wholesale" activity while selling in small quantities directly to people who will use the product is called "retail". There is some confusion brought about by advertising which says, discount, cut-rate or "wholesale prices" but these operations are really "retail" as long as they are selling in small amounts to the general public.

secured -

protected or guaranteed. "Secure" means to make a thing safe so when we speak of a "secured loan" we mean to make it safe or protect it by putting up something of value as collateral, as a guarantee of repayment.

service business -

a retail business which deals in activities for the benefit of others. If you go to a doctor or lawyer he will send you a bill marked "for services rendered". In that sense the doctor or lawyer is engaged in a "service business" the same as a laundry, auto repair shop or that part of a filling station business concerned with tire repairs.

- share - one of the equal parts into which the ownership of a corporation is divided. A "share" represents a part ownership in a corporation. How many "shares" one holds represents how much ownership he has. Of course, you can own "shares" in a firm without participating directly in the business. But in a small business, even if it is a corporation, the chances are that the owners participate or share the management responsibilities.
- site - a plot of ground set aside for a particular use. The business "site" may or may not be owned by the businessman and it is often better to rent a "site" when a business is getting started. For many businesses, particularly retail businesses, the proper "site" is most important because the location of the business determines the number and kinds of available customers.
- stabilizing - to make stable; to be less subject to ups and downs. Like a ship on the ocean, a business may run into a "rough sea" of changing conditions. The business "stabilizes" when it is not affected by these changes or when the conditions themselves are less fluctuating. Successful businessmen look for "stabilizing" methods to smooth out the ups and downs--either by diversifying into products which are more "stable", eliminating the factors which cause the ups and downs--particularly the downs--or by operating on a level that minimizes the effects of the fluctuations.
- statistics - a collection of accurate numerical data; classified facts which can be stated in numbers. There are "statistics" of interest to a businessman in every community. The local census figures are "statistics" as are the physical count of the number of businesses in a particular place. When a businessman counts the customers who come into the store on a given day, he is gathering "statistics". Statistics are useful to a small businessman because they are some of the facts he needs to make good decisions.
- stock - an ownership share in a corporation (another name for a share); accumulated merchandise. The things which a merchant has available for sale is referred to as "stock" and when he puts those things out for display, we say he is "stocking" the shelves.

- trade credit - permission to buy from suppliers on open account. When you buy business supplies on credit you are really borrowing from the supplier--you have the loan of whatever he is selling you until it is paid for. Often the supplier extends this service for a period of time (usually 20 to 30 days) without charging interest but it is not uncommon for him to charge interest if the amount is large and the time for repayment is extended. "Trade credit" is useful to a small businessman and he should make it a point to keep his reputation good so that he may continue the practice.
- transfer - to remove from one place to another or from one person to another. One of the main services of banks is to allow the efficient "transfer" of funds. The whole business of checks is a convenient way to accomplish the transfer of money without the need for actually transferring the money physically.
- tangible - something that is real. Literally, "tangible" means that the thing is such that you can touch it but the meaning for business is something which can be seen and evaluated. We speak of "tangible" assets and we mean those real or touchable assets that have a value and can be converted, if need be, into cash. The "intangible" assets of a business would be those things which may be of value but can't be measured or objectively evaluated, as for example, the good will that a business has built up.
- volume - an amount or quantity (of business). The "volume" of a business is the total it sells over a period of time.
- wholesale - selling for resale. (See retail for explanation).

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