



That are Killing Small Business in America

by Jeffrey K Prager

Jeff Prager

Jeff Prager is the Founder of Cash Flow Engineering® and Backroom Management Services (BMS). BMS provides financial management services for SMBs with a focus on management and growth. Our goal is to help you drive consistent and predictable cash flow.

Cash Flow Engineering, LLC is a training and consulting company helping businesses develop and implement marketing, sales, operational and financial systems that generate consistent and predictable cash flow.

Jeff has been a CPA, business owner and entrepreneur for over 35 years. He has been a former CEO/CFO and owner of several successful multimillion-dollar companies. He was one of the founders of Ashworth Golf Clothing, the CFO/partner of a large land development company and the owner of Strauss Homes, which was once rated as the second largest privately owned home builder in Colorado and in the top 100 privately owned companies of Colorado (2003). During his career, he has helped companies raise over \$1 billion (of which \$200 million was for his own companies).

Jeff also served as an instructor of managerial economics (applying economic theory to business decisions) at the University of Colorado at Denver. Jeff has spoken at the International Builders Show, Manufactured Housing Institute and is a frequent contributor to NAHB Biztools and other publications of NAHB. He was published in the NAHB's 2012 Cost of Doing Business Study and is a contributor to that study. He has also assisted in writing the business section for the "Certified Remodeler" designation, which is a program run by the National Association of the Remodeling Industry (NARI) and some training courses for various state societies of Certified Public Accountants.

Jeff is the author of *Financial Forecasting in Excel* and *Managing Your Business with 7 Key Numbers* both published by the NAHB (BuilderBooks.com) and *The Peddler's Son* (BackroomManagement.com).



5 Big Myths That are Killing Small Business in America

by Jeffrey K. Prager

Small businesses are in trouble.

Small businesses are the backbone of America, employing more people and supporting local economies to a much greater extent than ‘Big Business’. The problem is that the business community – even seasoned entrepreneurs – is mired down with *misinformation*, *misunderstandings* and *misleading lies* that are costing small businesses billions of dollars every year – and actually causing most business failures!

To make matters worse, these myths are so pervasive that they are blinding people to the fundamental truths that all successful business owners eventually learn – most of the time at great cost to themselves and their firms. I know; I’ve been there. Over the past 40 years I’ve started and grown my share of businesses, including a large homebuilding company, a CPA firm and a nationally known golf clothing company. It took me years to overcome the misconceptions that I was taught when I started in business – and I paid dearly to learn the simple truths that you’re about to learn.

The TRUTH is that when you are focused on the right numbers, the right activities, the right objectives and with the right systems and processes in place, your business can and should succeed! The result of my own 40-year journey is a formula we call Cash Flow Engineering®. By applying these simple yet non-conventional techniques, any business can become stronger, more stable, more profitable and grow faster.

The harsh reality, though, is that 80% of new businesses will fail within the first five years, and of those that remain, 80% of them won’t make it to their 10th anniversary. And it’s because of the following **five bad business ‘myths’**.

You’ve surely heard these myths from friends, or family, or from your ‘successful’ neighbor who pulled up in his Lexus, took off his designer sunglasses, and gave you his ‘secret’ to success. Now that his car’s been repossessed, his sunglasses have been pawned, and he’s missed three mortgage payments, I’ll tell you what your *ex*-neighbor wishes he knew.

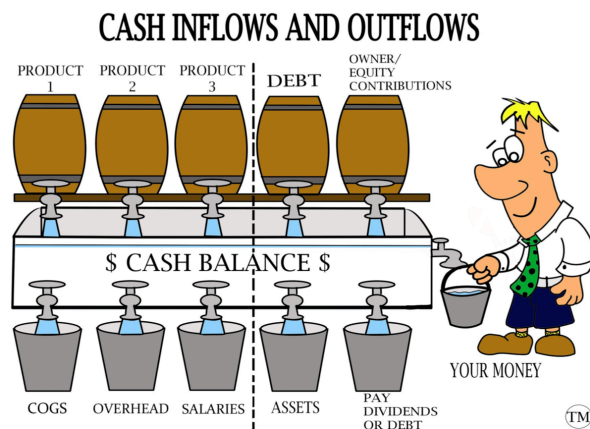
Myth #1: It's all about making a PROFIT!

Truth: It's not about profit—it's about cash flow.

This first myth is the source of a common mystery: How can some businesses go for *years* without profit? It's a mystery because everyone believes **Myth #1**: that profits are everything. But you can't put profit in your pocket, not if it's a receivable—who knows when you'll get paid? You can only put *cash* in your pocket. And that means focusing on **cash flow**.

When I say cash flow, I mean money coming in, money going out, and your **cash balance**. Your cash balance is not just money in the bank. It's how you manage money, make decisions, and create opportunity.

The difference between profit and cash balance is the difference between life and death for your business. You can have zero profit for *years* if you've got a healthy cash flow. But if you have zero cash flow, you might as well put your office furniture on Craigslist right now.



Think bigger than profit. **Think cash first, profit second.** Profit is a long-term result, but it only comes if cash flow is your short-term *obsession*.

There are three critical mandates for cash flow. First is that cash flow is literally the blood in your company's veins. It's how you survive in the short term. But it's also how you thrive. It's a lot easier to hire or buy new equipment or take on new jobs when you have \$40,000 in the bank instead of \$400.

Cash Flow



Second, you need to **manage** profits, not just pocket them. That's how you survive in the long term.

And third, truly successful businesses **consistently** generate and **consistently keep** cash. This is how you create a business with value. And when it's time to sell your company, that consistency is what buyers are looking for.

For a real-world example, take Amazon.com. They launched in 1995. They first made profit in **2001**. Now their profit is in the **BILLIONS**. If they'd focused on profit, they'd never have made it where they are today. They got there by managing *cash flow*.

Myth #2: Taking it 'one day at a time'.

Truth: Start at the end and work backwards.

One reason I've had what I consider to be a successful career is that I ignored that standard business advice. When anyone told me to "take it one day at a time", I mentally covered my ears.

Why? Because "one day at a time" is a myth that gets you bogged down, caught up, and run over. The truth is that running a business has to be like writing a mystery novel: you start with the *ending* and work back to the beginning.

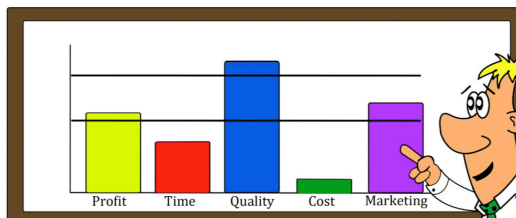


Let's kill this myth right now. A business should be run *backwards* in time. We call this *developing an exit strategy*, and it's one of the six techniques we teach that are critical to business success.

When you start with your exit plan and work backwards, you take what most people see as an impossible goal and turn it into a series of manageable steps. And these steps end up guiding your day-to-day decision-making.

Let's say your exit plan is to sell your business for five million dollars in five years. (And if that's not your goal, wouldn't it be nice if were a viable option?) Sound impossible? Not when you break your exit plan down into component parts, like your desired cash flow in year three, or your target payroll in year two.

Compile Your Data
Into Formats That Are Easy To
Understand, Interpret, And Act Upon



Defining these numbers is much easier than it sounds—in fact, we have the formulas to help you figure it out and stay on track. Imagine how much better your business would run if you knew exactly what you needed to accomplish this quarter, this month, or even this week. Then and only then will you know exactly when to buy equipment or consider bringing on investors.

Of course, people will think you're crazy.

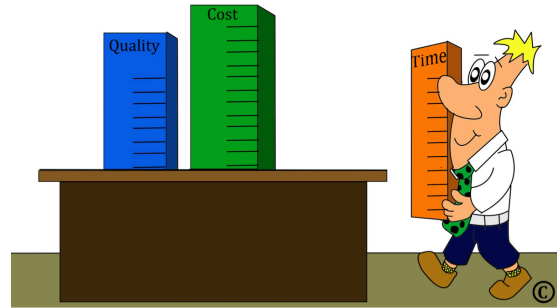
The myth conditions them to say, "How will your 'five year plan' pay next month's mortgage?" But don't listen to them—not unless you want to hear the exact same nags every day for the rest of your life.

Myth 3: Only Big Companies Have Systems.

Truth: Every successful company, big or small, needs systems.

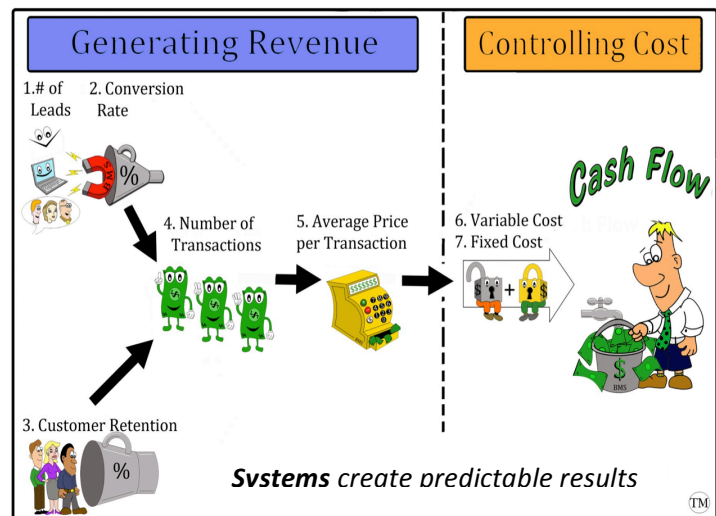
Systems are NOT just for big companies. In fact, until you have systems, you'll never get big.

Take McDonalds as an example. They didn't get where they are today by having great hamburgers. They got there by having a **system** for selling hamburgers for pennies and still making a profit on every single one. But here's the key: They built their system in **1948** in their **very first restaurant**. They were a **small business** with a great system, and **that's** how they became a big business.



Systems create predictable results. They tell you exactly how much any job will cost you, which means you know exactly how much to charge, how many employees to hire, when to invest in growth, and when the real money will start coming in.

The reason this myth is so attractive is because it's easier **not** to create systems. That's for sure. Systems take time, and when you're running a small business, time is the one thing you don't have. But look at McDonalds. It was once a small business just like any other. Now you're five minutes away from one no matter where you are in the country. That's because they took the time to get their systems right.



In any business, there are four major activities: marketing, sales, production or fulfillment, and administration and monitoring. All of them need systems. The good news is that creating these systems isn't as hard as it might seem!

I hope that kills that myth. Embrace *systems*. Embrace them as early as possible. Think of the Empire State Building: the deeper you dig your foundation, the higher your building will grow. We can help you develop systems, but even if you never call us, you should still start building your systems. The more businesses that do this, the more successful we'll ALL be.

Myth #4: You can do it all by yourself.

Truth: Success comes from building a team of specialists.

In order to kill Myth #4, I need you to pretend that you're a carpenter. Today is your first day running your own business. Congratulations! Sit down at your new desk, sip from your new coffee mug, and then pick up the phone and start making sales calls. Guess what? When you're on the phone prospecting for your next job, you're not in the carpentry business. You're in *telesales*.

And you're a salesperson until it's billing time – now you're in bookkeeping. And now it's time to order materials, so now you're a purchasing agent. So, at what point are you actually a carpenter? More importantly, at what point are you actually getting *paid* what a carpenter should earn?

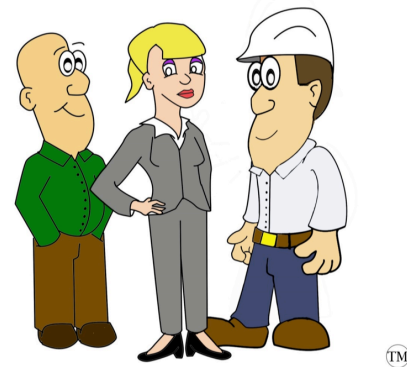
It's a dangerous myth that a business owner is a jack-of-all-trades. It's dangerous to believe that being on your own means you're *on your own*. Because this myth means you spend 90% of your time doing what you're NOT good at, while you're NOT getting paid for it.

A successful business is structured to focus your time on what you're really good at. Which means you **can't** be on your own. You need to surround yourself with specialists to do what you're **not** good at, whether they're employees, consultants, or advisors. Remember Myth #1, the focus on cash flow? This is the essence of cash flow management: spending money because it means you make even more money.



This is how I ran my business. I owned one of Colorado's largest homebuilders. You think I can build a house? Of course not; I'm a **numbers guy!** That's my strength. My job was to know every sequence and every process that goes into home building. But if I tried to sell homes as well, or write my own contracts, or buy my own supplies, I'd never have made any money because I'd have been *too busy doing what I'm NOT good at* to focus on my strength.

Find People Who Can Execute



The same goes for you. Stop and think about why you got into business. It's because you're really good at SOMETHING. Is your business structured around doing that one thing as much as possible? If it isn't, then you're not making enough money, and you probably never will.

We can help you figure this out, of course. Our Cash Flow Engineering Academy course can teach you the processes and show you the tools. And we even have the contacts if you need to meet experts and find ne advisors that can work with you one on one. But as we've said this whole time, this advice will change your business – if you put it to work.

Killing this myth will make every American business more competitive.

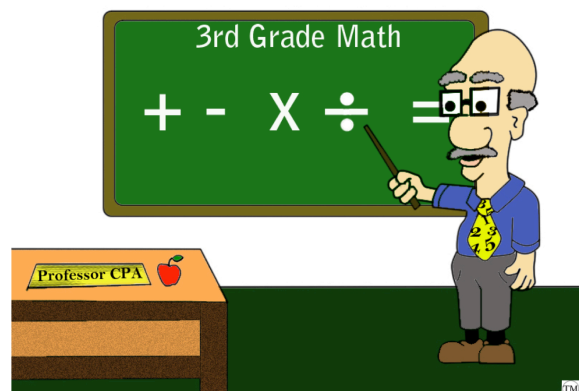
Myth #5: You need to be a CPA to understand your numbers.

Truth: All you need is 3rd grade math.

This isn't going to please my friends in the accounting industry.

Well, I take that back—it won't please *the bad* accountants. The GOOD ones will agree with me completely.

The myth is this: Most people believe that the CPA's job is to give you your numbers and tell you what they mean. The TRUTH is that your CPA will give you the numbers when they get to it, and if you're lucky, they might tell you where you've been.



They don't focus on the numbers that tell you where you're going.

The GOOD CPAs want to work with *informed* business owners. The BAAAD CPAs want you to keep paying them to do bookkeeping that's really just third-grade math, which is why this myth exists. They might try to redeem themselves by focusing on minimizing your taxes, but you need to *maximize cash flow*.

Or, they might say they're doing cost-savings, when what you really need **revenue-generating help**. This report is about understanding your numbers. And for that, third grade math is all it takes. Plus, minus, multiply, divide. That's it.

I know I said you shouldn't waste time doing what you're not good at, and I stand by that, but your numbers are the exception. You need to master the numbers that predict the success and failure of your company.

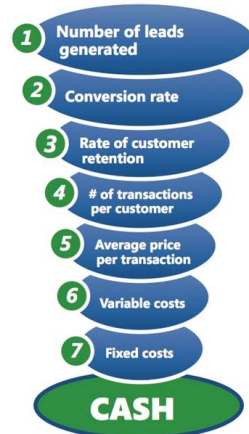
The good news is that there are just seven of these numbers.

All you need to learn is how to arrange things so these numbers are readable, and then what to do when you read them.

Every number tells a story, once you know what to look for. It's not about math at all.

Trust me: After a little bit of training, you'll stop seeing numbers and you start seeing the *stories* your numbers tell about your business – where you are, where you're going, and where you need to focus your attention to reach your goals.

7 KEY NUMBERS



The 7 Key Numbers that tell your story are:

- Your number of leads;
- Your conversion rate;
- Your retention rate;
- Your price;
- Your frequency of sale;
- Your production costs;
- Your fixed costs.

These seven numbers are not just about the past. They predict the future. And they help you CHANGE the future. The relationship between these numbers is simple third-grade math.

And once you know how to read these relationships, you can direct your business exactly where it needs to go.



*Whatever you do, **do NOT** delegate this to your CPA. Your numbers should be available the moment you need them. You can't wait for your CPA to return your call.*

Whether you're a carpenter or a programmer or a restaurant owner, you have to know these seven numbers. You have to kill the myth that numbers are for accountants.

You need to kill these myths to be successful. Every business does. This isn't just a sales pitch—killing these myths will make your business stronger.

It's all there in the numbers. Learn to read them and they'll tell you what you should do next. Act on them and your business will become virtually unsinkable.

I know—easier said than done! That's why we've come up with a way that will make it nearly impossible NOT to learn, implement and reap the benefits of Cash Flow Engineering®. Read on for details on how you can get past these 5 business-destroying myths... and put your company on a new trajectory for consistent, stable growth.

Special Offer -

Discover your **7 Key Numbers** – the first step in Cash Flow Engineering® – and begin generating consistent and predictable cash flow quickly – with this special offer.

Get instant access to the 7 Key Numbers Training Course – One workbook + video for each of the 7 Key Numbers – a \$349 value... now yours for just \$79 for all seven!

The 7 Key Numbers – Step-by-Step Workbooks + Videos



These resources provide everything you need to identify your 7 Key Numbers and systematically improve each one. Each workbook is a stand-alone seminar and includes a video tutorial that will have you mastering your numbers – and your cash flow – quickly!

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