

BUILDING PROSPERITY

In This Issue:

WHY YOU SHOULD RUN YOUR PRIVATE
COMPANY LIKE IT WAS PUBLICLY HELD

BRANDING & POSITIONING ARE NOT JUST
BUZZWORDS IN TODAY'S LANDSCAPE

THE CONDITIONS OF SUCCESS

RUN YOUR COMPANY LIKE IT'S PUBLICLY HELD.....4

Small businesses often operate as if their sole purpose is to fund the owner's lifestyle, but the most valuable companies are run with financial rigor. You may be years from wanting to sell, but starting to formalize your operations now will help you build the future of your business. Then, when it does come time to sell, you'll fetch more for what you've built.

NOT JUST BUZZWORDS.....9

If you've ever felt like "branding" and "positioning" are merely marketing buzzwords that sound important but don't really apply to your business, you're not alone. Many business owners struggle to define the difference between the two and, more importantly, understand how they work together to build a strong, competitive business.

CONDITIONS OF SUCCESS.....12

Jobs are not held, consistently and in actuality, by flukes of fate or fortune. Those who depend upon luck generally experience bad luck.

The ability to hold a job depends, in the main, upon ability. One must be able to control his work and must be able to be controlled in doing his work. One must be able, as well, to leave certain areas uncontrolled.



BEST PRACTICES

RUN YOUR PRIVATE COMPANY LIKE IT'S PUBLIC

BY JIM KAHRIS

Businesses often operate as if their sole purpose is to fund the owner's lifestyle, but the most valuable companies are run with financial rigor. You may be years from wanting to sell, but starting to formalize your operations now will help you build the future of your business. Then, when it does come time to sell, you'll fetch more for what you've built.

MASTERING FINANCIAL STATEMENTS

LIVE WEBCAST - APRIL 17, 1 PM EASTERN

One of the secrets to earning more money is understanding how to read the financial statement of your company and taking the appropriate steps to improve the financial performance.

PRESENTED BY JIM KAHRIS
PRESIDENT, PROSPERITY PLUS

Prosperity Plus

M&A - VALUATION

GET THE RIGHT SUPPORT TO SELL, BUY OR VALUE A BUSINESS

BRANDING & POSITIONING THEY ARE NOT JUST BUZZWORDS

BY TIM VOTAVKA

If you've ever felt like "branding" and "positioning" are merely marketing buzzwords that sound important but don't really apply to your business, you're not alone. Many business owners struggle to define the difference between the two and, more importantly, understand how they work together to build a strong, competitive business.

Do you know what it takes to get the right branding and positioning for your business? Do you know what it takes to get the right support to sell, buy or value a business? Do you know what it takes to get the right support to sell, buy or value a business? Do you know what it takes to get the right support to sell, buy or value a business?

AVOID COSTLY MISTAKES. GET THE SUPPORT YOU NEED SO YOU DON'T REGRET IT LATER.

REACH OUT TO US TODAY TO LEARN MORE
631.382.7762 OR VISIT US ONLINE.

Vol. 13 No. 2 | February 2025

THE CONDITIONS OF SUCCESS

FROM L. RON HUBBARD

THE CONDITIONS OF SUCCESS ARE NEW AND EARLY DIVERSITY. Skills are not held consistently and in actuality, by flukes of fate or fortune. Those who depend upon luck generally experience bad luck.

One must be able to control his work and must be able to be controlled in doing his work. One must be able, as well, to leave certain areas uncontrolled.

Vol. 13 No. 2 | April 2025



M&A - VALUATION

**GET THE RIGHT SUPPORT TO
SELL, BUY OR VALUE A BUSINESS.**



PROSPERITYPLUS.COM

**AVOID COSTLY MISTAKES. GET THE SUPPORT
YOU NEED SO YOU DON'T REGRET IT LATER.**

**REACH OUT TO US TODAY TO LEARN MORE.
631.382.7762 OR VISIT US ONLINE.**

BEST PRACTICES

RUN YOUR PRIVATE COMPANY LIKE IT'S PUBLIC

BY JIM KAHR



Small businesses often operate as if their sole purpose is to fund the owner's lifestyle, but the most valuable companies are run with financial rigor. You may be years from wanting to sell, but starting to formalize your operations now will help you build the future of your business. Then, when it does come time to sell, you'll fetch more for what you've built. There's nothing that gives a buyer more confidence than a well-run company that has clean books and proper record keeping. Taking a closer look at how public companies operate and following their model is one of the best ways to chart a course for success.

In this article I will outline some of the practices employed by public companies and how private companies can emulate them.

Public companies have a board of directors. This board is typically made up of individuals that are well respected for their business insight and management abilities. Much of the board is typically made up of members that are not employees in the day-to-day operations. Because of this, the board is able to provide insight and direction from an unbiased point of view.

Continued on next page

RUN YOUR COMPANY LIKE IT'S PUBLIC

Continued from previous page

The board has regular meetings and keeps detailed minutes of the meetings. The board sets the course for the organization, monitors progress and drives results. A private company of any size can follow this model. The first step in the process is identifying people to have on the board. In a family owned business, the first place to look is within the family. Can you bring in a parent or grandparent? How about the kids? Each can bring a very different viewpoint and each has a vested interest in the success of the business.

Along with family it works well to bring in a couple of other well-respected businesspeople. They may be colleagues from your industry, chamber of commerce members, friends from the local country club, etc. Some people think that board members need to be familiar with the industry. Actually, it is helpful to have some members that are not. This allows for a different viewpoint and often leads to some of the best ideas. Once you have chosen, it is important to set regular meetings and have a strong agenda. There are plenty of resources available that outline how a board of directors operates.

In addition to having a board of directors, public companies have an open book policy. Because their shares are available for purchase by anyone financial data must be made available to all.

Public companies publish their financials and also provide a prospectus which outlines who the company is, how it operates and the results it has created. Public companies typically publish quarterly reports and have regular shareholder meetings to report the results.

The thought of having a full open book policy is enough to cause many dealership owners tremendous anxiety. It brings a whole new level of accountability to the table. I have found that dealerships can take a step-by-step approach. Rather than starting with full disclosure the business can begin sharing the revenue numbers with their staff. Once this is comfortable the gross profit numbers can be made public.

As you work through this process with the thought of opening the books for all to see, you will likely begin to change how some things are handled. Over time a chart of accounts and an accounting process can be adopted that allows the full financials to be shared.

Communicating the results is just as important as having them available. I am a proponent of having monthly meetings with the entire staff. The purpose of these meetings is much like the quarterly shareholder meetings public companies hold. The meetings provide updates on what is happening within the business and provide a full review of the financial results.

When your staff knows exactly how things are going, they are much more able to pitch in and drive things toward success. Just remember that it is not typically an overnight process. You need time to make the changes necessary as well as time to bring up your own comfort level with the process.

Public companies are numbers and results driven.

Continued on next page

RUN YOUR COMPANY LIKE IT'S PUBLIC

Continued from previous page

They start the process by having targets clearly set. This is usually in the form of a detailed budget. This budget sets goals for the business for every revenue, cost of goods and expense category. Each manager knows before the year starts what he or she is expected to produce. Because of the aforementioned open book policy, each manager also knows there will be a high level of accountability. No one can hide behind the curtain.

Replicating this in a dealership is easier than most think. We've helped many dealerships set budgets by reviewing their income statement line by line and setting targets for each. Your key managers should be part of the target setting process as they will be the ones leading the charge to achieve them.

Similar to the budget process public companies have benchmarks that they use to gauge their success as well as to identify areas of weakness. Most public companies compare themselves to hundreds of benchmarks ranging from earnings per share (a statement of overall profitability) to the quick ratio (a measure of how assets compare to liabilities) to working capital ratio (a measure of overall liquidity). Members of the BTA channel have access to the BTA Model for Success. This model provides proven industry benchmarks to measure your business against. Utilizing this model gives a dealership the ability to assess their business at a level far above the basic ratios used in many public companies.

One area where public and private companies differ greatly is in bookkeeping procedures. Public companies are held to a much higher standard. Public companies must follow generally accepted

accounting principles (GAAP), which outline exactly how financial transactions must be booked. The purpose is to create an environment where the financials of any company can be reviewed with the confidence that the numbers being reported were done so in a standard manner.

Public companies also have their financials audited by an outside accounting firm. Private companies are not legally bound to these standards.

The rules for GAAP are quite extensive, however, there are a few areas that tend to come into play with dealerships. The first is how revenue is recognized. Per GAAP, revenue must be recognized on the books when it is earned. The biggest issue in the business systems industry involves service contracts. If a service contract is invoiced for more than one month in advance, per GAAP it must be recognized monthly as the service is delivered. In order to accomplish this the portion that has not been earned yet must be booked as a liability on the balance sheet. Another area that is not always handled per GAAP is invoicing of equipment. Per the guidelines, equipment cannot be recognized as revenue until it has been delivered.

In an effort to close out the month I've seen many dealerships invoice product that is still in the warehouse, or keep their books open for a few days into the next month. Neither of these would be GAAP compliant. Expenses must also be booked in the month where they were incurred. This often requires making journal entries to properly recognize expenses. For example, most dealership pay sales commissions in the month after a sale was invoiced.

Continued on next page

RUN YOUR COMPANY LIKE IT'S PUBLIC

Continued from previous page

To be fully compliant, the commission expense should be booked in the same month as the sale. Adjusting your books to be as close to GAAP compliant as possible and having them either reviewed or audited by an outside accounting firm would ensure that you are properly reporting your results. It will also provide a whole new level of financial understanding.

The final area I'll cover applies to owner expenses. In a public company the executives and managers are not allowed to run their personal expenses through the company. Even if they are shareholders in the company they are treated as employees when it comes to compensation and expenses. This is dramatically different in many private companies. It is quite common for the owner(s) in private companies to use the business as a personal piggy bank. Personal expenses are run through the business in an effort to reduce the taxable income.

This obviously does not meet the requirements of GAAP. In addition, it clouds the true profitability of the company. In a public company shareholders are paid a portion of the company profit in the form of distributions.

The board will often decide how much of the profit to retain and invest in future growth and will also decide how much of the profit to distribute to the shareholders. This same strategy could be employed by private companies. Some argue that this would increase the tax burden. While this is correct, the goal is that the growth of the company along with the increased profit along the way and the increased value at the time of a sale more than offset any money lost to taxes.

In the end, the moral of the story is, those that run their company closer to the public model end up with a far more valuable and more sellable company. The insight and financial controls provided in this model create a roadmap to success. The best part is that the success created could very well be enough to change one's mind about selling the company. For, who wants to sell a well running, profitable company when you can enjoy the benefits of it for years to come?

Need help? Contact Jim Kahrs at jkahrs@prosperityplus.com, 631.382.7762 ext 101.

VALUATION



GET THE BUSINESS VALUE RIGHT.



MASTERING FINANCIAL STATEMENTS

LIVE WEBCAST - APRIL 17, 1 PM EASTERN

One of the secrets to earning more money is understanding how to read the financial statement of your company and taking the appropriate steps to improve the financial performance.

**PRESENTED BY JIM KAHRS
PRESIDENT, PROSPERITY PLUS**



Certified ValueBuilder™



JAMES KAHRS
President
jkahrs@prosperityplus.com

Ph: 631.382.7762 ext. 101
Fx: 631.382.7744
60 E. Main Street
Kings Park, NY 11754
PROSPERITYPLUS.COM



REAL-WORLD TOOLS FOR IMPROVING PROFIT, CASH FLOW AND GROWTH.

BRANDING & POSITIONING

THEY ARE NOT JUST BUZZWORDS

BY TIM VOTAPKA

If you've ever felt like "branding" and "positioning" are merely marketing buzzwords that sound important but don't really apply to your business, you're not alone. Many business owners struggle to define the difference between the two and, more importantly, understand how they work together to build a strong, competitive business.

So, let's break it down in plain English. Branding is who you are, and positioning is where you stand in the minds of your customers. That second part is also called mindshare. We need both. One without the other is like trying to sell a car without a steering wheel—you might get moving, but you won't be able to control where you're going.

Your Business' Personality and Promise

Think of branding as your organization's personality. It's the sum total of your company's identity—the visuals, messaging, tone, values, and reputation. Your brand answers the question: Who are we, and why should people care? Right. Why they should care.

Continued on next page



BRANDING & POSITIONING

Continued from previous page

- **Industry-Specific Solutions** - Rather than being a general office supplier, you specialize in tailored solutions for law firms, medical offices, and financial institutions, ensuring compliance, security, and efficiency.
- **Cost-Efficiency and ROI-Focused** - You position yourself as a partner in reducing operational costs by offering managed print services and IT solutions that improve workflow and reduce waste.

Your positioning statement might be:

"At XYZ Business Solutions, we don't just sell office technology—we optimize the way businesses work. With tailored solutions, hands-on local support, and a commitment to cost-efficiency, we help companies across [your region] streamline operations and stay ahead."



How to Strengthen Both for Your Business

1. **Clarify Your Brand Identity** - Define your mission, values, tone of voice, and visual elements. What do you want customers to feel or experience when they interact with your brand?
2. **Define Your Market Position** - Identify your competitors and your unique selling points. Where do you fit in the landscape, and how do you differentiate?
3. **Ensure Consistency** - Every touchpoint, from your website to customer service interactions, should reinforce your brand and positioning. Don't let your sales and service reps deviate from this.
4. **Communicate Clearly** - Make it easy for customers to understand what you stand for and why you're the best choice for them.
5. **Adapt as Needed** - Markets change, and so do customer expectations. Regularly assess your brand and positioning to stay relevant.

Final Thoughts

Branding and positioning are not just for big corporations. Whether you're a solo entrepreneur, a growing startup, or an established local business, understanding these concepts helps you attract the right customers, build loyalty, and set yourself apart in a crowded market.

Your brand is your promise. Your positioning is how that promise is perceived. Nail both, and you'll not only gain customers—you'll create advocates who believe in what you do.

So, where does your business stand? And more importantly, does your branding make that position clear? Reach out if you'd like help

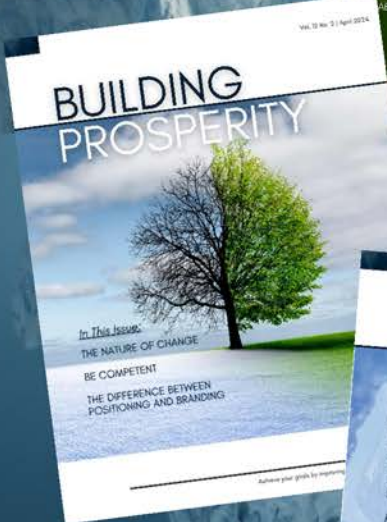
tvotapka@prosperityplus.com

631.610.1445

BACK ISSUES

TAKE A LOOK AT OUR ENTIRE ARCHIVE OF BACK ISSUES TO SEE WHAT WE COVERED IN EACH ISSUE OF BUILDING PROSPERITY.

CONSIDER GETTING ONE PRODUCED FOR YOUR OWN BUSINESS WHILE YOU'RE AT IT. A PROFESSIONAL MANAGING EDITOR IS STANDING BY.



THE CONDITIONS OF SUCCESS

FROM L. RON HUBBARD



THE CONDITIONS OF SUCCESS ARE FEW AND EASILY STATED.

Jobs are not held, consistently and in actuality, by flukes of fate or fortune. Those who depend upon luck generally experience bad luck.

The ability to hold a job depends, in the main, upon ability. One must be able to control his work and must be able to be controlled in doing his work. One must be able, as well, to leave certain areas uncontrolled. One's intelligence is directly related to his ability. There is no such thing as being too smart. But there is such a thing as being too stupid.

But one may be both able and intelligent without succeeding. A vital part of success is the ability to handle and control not only one's tools of the trade, but the people with whom one is surrounded. In order to do this, one must be capable of a very high level of affinity, he must be able to tolerate massive realities and he must, as well, be able to give and receive communication.

The ingredients of success are then, first, an ability to confront work with joy and not horror, a wish to do work for its own sake, not because one "has to have a paycheck."

One must be able to work without driving oneself or experiencing deep depths of exhaustion. If one experiences these things, there is something wrong with him. There is some element in his environment that he should be controlling that he isn't controlling. Or his accumulated injuries are such as to make him shy away from all people and masses with whom he should be in intimate contact.

The ingredients of successful work are training and experience in the subject being addressed, good general intelligence and ability, a capability of high affinity, a tolerance of reality and the ability to communicate and receive ideas.

Given these things, there is left only a slim chance of failure. Given these things, a man can ignore all of the accidents of birth, marriage or fortune - for birth, marriage and fortune are not capable of placing these necessary ingredients in one's hands.

One could have all the money in the world and yet be unable to perform an hour's honest labor. Such a man would be a miserably unhappy one.

I/A#031825EUS