

## Effective Goal Setting for Small Business

**By: Eric Giltner**

North Dakota District Office

Every small business has a “model” or “strategy” that is employed to produce the goods and/or services offered to its customers. The question business owners are constantly asking is “Are we doing things the right way?” The answer to this question begins with measuring results and in order to measure results one has to have meaningful goals for the various parts of the business. Setting effective goals requires some thought and a careful assessment of the business model employed.

Business owners have a “vision” of where they want their business to be in terms of growth and market position. Goal setting helps to convert this vision into specific performance targets. Successful businesses actually set up a hierarchy of goals in order to manage and control their business model. For example, meeting a product sales goal requires an active sales force offering a high quality product and providing customer service after the sale. A company therefore

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## How to Prepare for a Loan Proposal

**By: Alan Haut**

North Dakota District Office

The SBA reduces risk to lenders by guaranteeing major portions – up to 85 percent – of loans made to small businesses. This enables the lenders to provide financing to small businesses when funding is otherwise unavailable on reasonable terms.

When a small business applies to a lending institution for a loan, the lender reviews the application and decides if it merits a loan on its own or if it requires additional support in the form of an SBA guaranty. SBA backing on the loan is then requested by the lender.

You submit a loan application to a lender for initial review. If the lender approves the loan subject to an SBA guaranty, a copy of the application and a credit analysis are forwarded by the lender to the SBA. Approval of your loan request depends on how well you present yourself, your business, and your financial needs to a lender. Remember, lenders want to make loans, but they must make loans they know will be repaid. The best way to improve your chances of obtaining a loan is to prepare a written proposal.

A well written loan proposal contains:

### General Information

- Business name, names of principals, Social Security number for each principal, and the business address.
- Purpose of the loan – exactly what the loan will be used for and why it is needed.
- Amount required – the exact amount you need to achieve your purpose.

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# CPAs Help Keep Small Businesses Running with Sound Business Advice

**Submitted By: North Dakota Society of CPAs**

Big business may get the most attention in today's headlines, but by all rights, small business is the backbone of the U.S. economy. Over twenty-three million private entrepreneurial businesses create the majority of new jobs in the nation, employ more than half of the American work force and lead the way in generating new ideas, technologies, goods and services.

And, the small business community continues to grow. The Internal Revenue Service estimated the number of sole proprietorships increased by 2.7% in 2002 and 1.9% in 2003. In addition, recent surveys show that the American small business owner is optimistic. The Wells Fargo/Gallup Small Business Index from September 2003 revealed that 74% of approximately 600 small businesses surveyed expect their financial situation to improve over the next 12 months.

While small businesses are the engines that drive the American economy, Certified Public Accountants, or CPAs, are part of the team keeping those engines running smoothly with sound business advice. Seven out of eight CPAs work every day to help small businesses succeed. They bring a wealth of complex financial business knowledge to the equation, helping small businesses understand economic forces, build solid business plans and protect themselves against employee theft and fraud.

CPAs have the objectivity, knowledge and expertise to work with small businesses through each step of the business lifecycle. Existing and potential small business owners ask what they should ask their accountant to do for them or where they can get the best investment in their professional services. There are several areas where a small investment with your CPA will yield dividends in the management and direction of your business.

**Starting a Business:** Your CPA can guide you through the process of creating a business plan, locating funding sources and negotiating the best terms for start-up financing. He or she can also make

sure you establish the right type of corporate structure for your needs and understand human resource issues, employee benefits, insurance and more.

**Expansion:** When you are ready to grow your business, your CPA can help you lay the groundwork, such as making projections for additional income and new expenditures. As in the CPA Ambassador Training Program start-up phase, he or she can guide you through various aspects of growth such as obtaining expansion financing, working with the city planner and seeking financial incentives and job credits from the government.

**Economic downturn:** In case the economy takes a turn for the worse, your CPA can help you weather the storm, consulting with you on cost cutting measures and assisting you in recasting your debt and negotiating with creditors.

**Selling your business or developing a succession plan:** When it's time to pass the business on — whether it's to family, investors or an outside party — your CPA can help create a plan that protects your interests. From determining the accurate value of your business, to locating potential buyers to negotiating favorable selling terms, your CPA is your partner every step of the way. With respect to succession planning, he or she can help you identify management issues, develop an internal successor or identify external candidates. Your CPA can also assist in ensuring that your will contains the correct provisions for your family's financial protection, many times even acting as your trustee.

If you have the vision for where you want your business to go, your CPA should be a trusted partner in turning that vision into a reality! ❖

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The North Dakota Society of CPAs, with an office and staff in Grand Forks, is the statewide association of Certified Public Accountants. It has approximately 1400 members and close to 80% of all CPAs in North Dakota are members. One of the Society's key objectives is to enable members to better serve their employers, clients, and the public.

### Business Description

- History and nature of the business – details of what kind of business it is, its age, number of employees and current business assets.
- Ownership structure - details on your company's legal structure.

### Management Profile

- Develop a short statement on each principal in your business; provide background, education, experience, skills and accomplishments.

### Market Information

- Clearly define your company's products as well as your markets.
- Identify your competition and explain how your business competes in the marketplace.
- Profile your customers and explain how your business can satisfy their needs.

### Financial Information

- Financial statements – balance sheets and income statements for the past three years. If you are starting out, provide a projected balance sheet and income statement.
- Personal financial statements on yourself and other principal owners of the business.
- Collateral you would be willing to pledge as security for the loan.

### How Your Loan Request Will Be Reviewed

When reviewing a loan request, the lender is primarily concerned about repayment. To help determine this ability, many loan officers will order a copy of your business credit report from a credit reporting agency. Therefore, you should work with these agencies to help them present an accurate picture of your business.

Using the credit report and the information you have provided, the lending officer will consider the following issues:

- Have you invested savings or personal equity in your business totaling at least 25 percent to 50 percent of the loan you are requesting? A lender

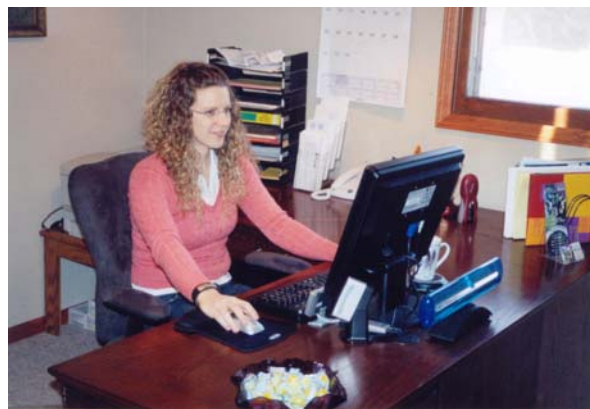
or investor will not finance 100 percent of your business.

- Do you have a sound record of credit-worthiness as indicated by your credit report, work history and letters of recommendation? This is very important.
- Do you have sufficient experience and training to operate a successful business?
- Have you prepared a loan proposal and business plan that demonstrate your understanding of and commitment to the success of the business?
- Does the business have sufficient cash flow to make the monthly payments?

Your past payment history and your presentation of your business idea are both important points to effectively receiving the financing you need in your business. Planning and preparation are key to your initial success. ❖



## SBA YOUR SMALL BUSINESS RESOURCE



*Charissa Rubey, President, Dakota Micro, Inc.*

Ten miles off a two-lane paved highway, down a winding gravel road, near Cayuga North Dakota lays a growing family-owned business that sells products worldwide. Started in 2003 by David and Charissa Rubey, Dakota Micro Inc., with sales in excess of \$1 million dollars, currently employs 12 people.

Sitting at her desk in what used to be her mother- and father-in-law's bedroom on the original farmstead, Charissa manages Dakota Micro's finances and

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needs supportive goals in product quality assessment, number of sales calls, and acceptable levels of customer service measures.

Well stated goals are meaningful, measurable, and contain a deadline for completion. They also should require somewhat of a “stretch” or effort to achieve the desired result. Stretch goals are not viewed as impossible to reach, but they should be difficult enough to foster the employment of new innovations and ideas. A meaningful goal reflects an activity that is acutely related to the overall success of the business. If a sales representative is goaled with contacting 25 prospects each week, the prospects should come from a pool of individuals most likely to buy the product and not 25 people at random. A well stated goal will go much farther than simply asking an employee to “maximize profits,” “increase sales,” or “become more efficient.”

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*Successful businesses actually set up a hierarchy of goals in order to manage and control their business model.*

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Goals should be set in both strategic and financial areas. Strategic goals allow a business to measure its performance in market share, product quality, customer services outcomes, and in meeting expected customer demands. Financial goals provide a focus on profitability measures that allow for the eventual achievement of strategic goals. A successful business will pursue a “balanced” assortment of major strategic and financial goals. And, each of these major goals will have a supportive set of related goals for the various units and departments of the business.

Effective goal setting provides the framework for a business to achieve its vision. Bill Hewlett, cofounder of Hewlett-Packard, once observed, “You cannot manage what you cannot measure ...And what gets measured gets done.” Is your business setting effective and meaningful goals so that you can answer the question, “Are we doing things the right way?” ❖

## **IRS Simplifies Tax Filing Requirements for Small Employers**

Are you a micro business owner? If so, the Department of the Treasury and the Internal Revenue Service have a New Year’s gift for you.

The Internal Revenue Service has issued temporary and proposed regulations that will significantly reduce the tax filing burden for micro businesses. Beginning January 1, 2006, certain employment tax filers will be able to file the new Form 944 (Employer’s Annual Federal Tax Return) once a year rather than filing Form 941 (Employer’s Quarterly Federal Tax Return) four times a year.

The new Form 944 will reduce the burden on eligible small employers who file quarterly returns with little or no employment tax due. Most employers who file Form 944 will be able to make a single payment with their annual return.

Eligible employers are those with estimated annual employment tax liability of \$1,000 or less. The IRS will mail notification letters between February 1 and February 15, 2006 to eligible small employers for calendar year 2006. Employers who do not receive a letter and believe they are eligible to file the new Form 944 can call the IRS at 1-800-829-0115 by April 1, 2006 to find out if they qualify.

New employers who expect to owe \$1,000 or less in total annual employment tax (approximately \$4,000 or less in annual wages) also are eligible to file Form 944. These employers can indicate their estimated tax amount when applying for their EIN (Employer’s Identification Number) on Form SS-4. The IRS will notify the employer to file either Form 944 or Form 941 in the same notice indicating the taxpayer’s new EIN.

The proposed regulations are open to public comment for 90 days after publication. A public hearing on the regulations has been scheduled for April 26, 2006.

For more information on the Form 944 annual filing program, visit the IRS website at [www.irs.gov/pub/irs-pdf/i944.pdf](http://www.irs.gov/pub/irs-pdf/i944.pdf). ❖

marketing efforts generating sales in the U.S., Canada, Australia, and Italy. Future plans include expansion to the U.K., Ireland and other countries. In the room that used to be the family living room, Dave works at his computer and desk, which looks more like a tinker's shop, developing new applications and products to expand their ever growing product line. All around Dakota Micro renovations are going on to meet the increasing market need. Walking through a long hallway to a newly constructed production facility, local employees sit in a spotless environment at well-lit tables assembling products and preparing sales for shipment.

Although he grew up on the family farm near Cayuga, David had headed for opportunity in sunny California. There he met his wife Charissa and with her encouragement moved back to the farm when David's father decided that he would have to sell the farm or hopefully pass it on to his son. When David encountered neck problems, he had to find a solution to watching the farm equipment from the seat of the tractor without constantly turning his head. Although David and Charissa were aware of products on the market that used a video camera and a monitor to view the tillage or other ag production efforts they found the products large and less than flexible in meeting the ever changing needs of today's agricultural environment. Thus was born the DM AgCam.



David Rubey

The AgCam, using high resolution state-of-the-art components offers sharp images in sunlight, low light and no light environments. It is easy to install offering flexibility with camera(s), monitor(s), recorders and other components easily plugged into common input jacks and moved from operation to operation. Charissa offers that the cameras and equipment have been used to monitor vacant farm yards, anhydrous ammonia facilities, cow calving activities and a host of other Ag related tasks.



Recently Dakota Micro expanded to security applications with the installation of cameras in the Richland County Courthouse, Law Enforcement Center and patrol cars. Richland County Chief Deputy, Gary Ruhl points out the clarity and high resolution of the pictures. With the small cameras mounted around every corner, Dakota Micro offers their customer the opportunity to increase effective monitoring and enhance security.

Export sales and domestic production has been financed in part through an SBA LowDoc loan through Lincoln State Bank in Hankinson, ND. Charissa is quick to point out that their local lender takes a personal interest in their business and visits the business on occasion. Bob Wurl, President of Lincoln State Banks says, "In rural parts of the State its unusual to be able to fund and attract a business that is in production and bring value back into North Dakota, not only from outside the state, but also outside the country. It's exciting to bring some diversity in our Ag portfolio." Wurl further comments "the SBA helps to do the deal and put together the financing when there may not be a lot of tangible collateral for the loan." ❖



## **DID YOU KNOW?**

In a recent study titled "Survival and Longevity in the Business Employment Dynamics Database" by Amy E. Knaup, Monthly Labor Review, Volume 128, Number 5 (May 2005), it was found that two-thirds of new employer establishments survive at least two years, and 44 percent survive at least four years.

## **CALENDAR OF EVENTS**

### **STARTING A SMALL BUSINESS – FEBRUARY 21, 2006**

51 BROADWAY, SUITE 505, FARGO, ND

11:00AM – 12:00PM

CONTACT: SBDC, (701)235-1495

Learn about the resources that are available to you, as well as some of the basics of starting a business. Successful businesses don't happen by accident – they are planned. First steps include writing a business plan, applying for the appropriate licenses, registering trade names, setting up the appropriate legal structure, complying with tax laws and establishing credit and financing.

### **MARKETING: DEVELOPING A WORKABLE PLAN – MARCH 8, 2006**

BOWMAN COUNTY DEVELOPMENT CORPORATION, 13 EAST DIVIDE, BOWMAN, ND

12:00PM – 1:15PM

CONTACT: CAL OR KAYLA, (701)523-5880

The session will address the need for and benefit of development a marketing plan; marketing principles, function, and steps; internal and external marketing considerations; and the marketing stages for a business.

## **QUESTIONS AND ANSWERS**

Q: For accounting purposes in a small business is it better to hire an accountant, a CPA or buy software?

A: There are advantages and disadvantage of each option listed in the question. I would suggest that the business owner have some basic knowledge of accounting. If you hire an accountant or if you go to an accounting/bookkeeping firm, you have to be very careful that you will get the level of quality needed to comply with regulations when preparing financial information and/or tax returns. If the business owner has no knowledge of accounting, they are not in a position to judge the accuracy or reliability of the information prepared by somebody else. This same principle is true when using bookkeeping programs for business. It is often true that "garbage in equals garbage out". Software programs are great for accurately adding, sorting and printing information, but if you have no knowledge of how to enter the information into accounts you will spend time and money with very little useful product.

Generally it is best to hire a CPA to help to set up and review your records on a regular basis and to use the software or hire a person/service to enter and organize the data. Use the CPA to provide guidance on tax and management/investment decisions. CPAs provide helpful professional guidance in a number of different areas (see companion article in this newsletter).

### **U.S. Small Business Administration North Dakota District Office**

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