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*When you're a small business owner/entrepreneur, you operate in a vacuum--what you know and think you know, that's the direction you go.*

*The RAI Stone analysis gave me a feeling of 'it's OK' to follow through on what I thought was right and what I wanted to do because there was financial support, verifiable reasons to do it.*

Doug, Founder, Athletic Equipment Manufacturing Co



About [RAI Stone Group](#)

RAI STONE ANALYTICS calculates hidden potential profits in your company and predicts your smartest next move. It gives you the ability to move into action based on the kind of financial information you always wished you had.

Hundreds of small businesses have used RAI Stone Analytics to recover cash, focus their management teams and achieve more growth and profitability than they thought possible before.

In just 5 business days, you can begin taking advantage of salient

Hello Sam,

One of our new Best Practice customers recently told me, "I don't need to read more 'newsworthy' expert advice or ominous predictions about where the economy is or is not heading. I have a business to run and it runs on hard truths."

This was a timely comment that stuck with me because we were preparing this newsletter, and because it really sums up the mindset of our small business community - driven, smart, resourceful and low B.S. All the qualities that are needed to succeed.

In that light, we're reintroducing this newsletter to uncover and provide relevant and sometimes irreverent truths you can use to grow your companies, guide your clients, and plan for the future.

Tell us what you think by taking the poll after each topic. (Results are anonymous.)

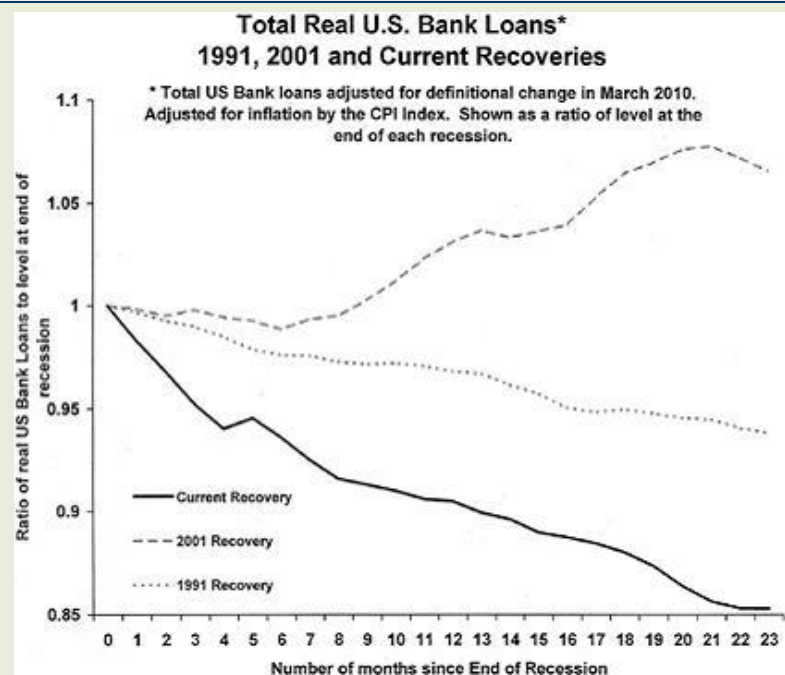
Sincerely,

Sam Zordich, CEO and Founder

### The Bigger Picture about Traditional Loans in this Recovery

With all the talk about tight credit and lending, we thought you might be interested in seeing the larger context. Here's what we found. Clearly, borrowing is not a viable solution for funding new growth. It's time to get creative and explore alternative ways to "find the money."

growth and efficiency opportunities instead of letting them slip through your fingers!



[What's your opinion about this content?](#)

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*People who know how work for people who know why.*

## Cash Flow $\neq$ Profitability

This was the title of a marketing message we recently received from a financial outsourcing firm in the Twin Cities: "There are only two ways to improve your Gross Margin (and thereby increase cash flow)."

Normally I would let this go, but the message perpetuates a common misunderstanding that profitability affects cash flow. It doesn't. In fact, believing that there is a direct cause and effect puts up unnecessary barriers to pursuing good growth opportunities.

So here's the truth. Gross margin *is* a factor in profitability and there are many ways to improve your gross margin and subsequently increase profitability. But that's *not* going to change your cash flow.

Profitability is a paper measure. It tells you how much you could be getting if you didn't discount hours (service company) or give a good customer a deal on price (producer). It's what we strive for, but it's seldom what we actually get in a competitive market.

On the other hand, cash flow is a matter of timing: a customer pays 30 days late, a vendor requires COD, inventory remains in stock 60 days longer than anticipated. The longer you play bank to your vendors and customers, the less money you have to invest in *your* company's operations.

I hope this clears up **that** misconception.

[What's your opinion about this content?](#)

## Predictive Direction

Do you know someone, or are you someone, who wants to get to the heart of your company's financial performance and see what to do about eliminating what's not working and doing more of what IS working?



If yes, please [accept this invitation](#) to attend a 15 minute, online introduction to RAI Stone Analytics®, a revolutionary way to see and control money as it moves through your business. Given by a live person about, you will get your questions answered immediately.

It's the easiest investment you can make in your future.

## It's Time to Put Old Solutions Out to Pasture

I regularly read a blog called [The Phoenix Principle](#) and in the August 24th post, [Why a Bad CEO is a Company Killer - Sell Hewlett Packard](#), author Adam Hartung\* points out the folly of not being open to new ideas, methods, tools, and strategies:

"But Mr. Hurd believed in the old success formula of selling services (gee, it worked 20 years before for IBM, could it work again?) and volume. He simply believed that if he kept adding revenue and cutting costs, surely somewhere in there he'd find a pony!

"There are a raft of unmet needs in the marketplace. For a decade HP has ignored them. Its CEOs have spent their time trying to figure out how to make old solutions work better, faster and cheaper. And in the process they have built large, but not very profitable businesses that are now uninteresting at best and largely at the precipice of failure. They have ignored market shifts in favor of doing more of the same. And the value of HP keeps declining - down 50% this year."

As small business leaders, we operate much closer to the edge than an HP, but we do sometimes fall into the trap of believing, like Mr. Hurd, that growing sales and cutting costs is a formula for sustainable success. Like many of the formulae for success that worked 10 years ago, it is no longer in sync with the realities of this economy and needs to make way for more effective strategies.

If you are ready to explore workable alternatives for *your* company, contact any one of us at RAI Stone Group at 612.326.1684. We're here to serve.

[What's your opinion about this content?](#)

\*Adam Hartung is a provocative writer and columnist for Forbes and CIO Magazines and a popular public speaker. I urge you to read his other posts.

## The Rant Test

*"If our phone discussion and my samples weren't enough to make you comfortable with my skills, I think it's best for you to find someone else to assist you with your communication needs."*

This was a response to our request for a "rant" as one of the writing samples we review when hiring marketers and writers. Although this was the most abrupt refusal, many others did write rants and we have marvelous examples that we've framed and hung on our conference room wall. But the point here is that if a writer isn't able to make a stand about something as everyday as corn syrup or long waits in line, how are they going to connect with readers on more meaty issues?

It's not only the intellectual content of a message that resonates within us, but the emotional connection it makes as well. A message matters when it becomes personal for us. Does it make us laugh, or get up in arms, or blush because we can see ourselves doing the same stupid thing? For something to go viral or be shared, the message has to have passion, it has to be real, and it has to speak to our imaginations as well as our intellects.

I haven't yet found a better way to vet writers and marketing specialists who profess to understand social media and how to make it effective. If you're looking for your next marketing communicator, try out the Rant Test. Not only will you have fun, but you'll have the measure of the person's ability to genuinely communicate and connect in today's marketplace.

[What's your opinion about this content?](#)