



The Strategic Entrepreneur

If the answer is “Yes” to all these questions, do you move forward with the sale? If you are like most of us, you will say yes and get very excited at the prospect of the soon to be realized profits! But have you really considered everything? If this is where your decision making process ends, then you are just being opportunistic.

The Strategic entrepreneur:

Your business has limited capital, which is based on your equity in the company (found on the balance sheet) and holding to a proper financial risk/reward profile or Leverage (calculated from the balance sheet). Each year you make a strategic plan, adopting initiatives that will build not only the revenues of your company but also ALL the supporting systems of the company (HR, IT, Leadership etc.). Based on your limited capital and resources (people), you only take on 2 to 4 initiatives a year. You build a capital and resource budget around each initiative and set off into the next 12 months.

Now the same opportunity to increase sales by 20% presents itself. You ask yourself the same questions as above and answer yes to all. However, as a strategic entrepreneur, you ask additional questions:

1. How much capital must I deploy to the new client (to cover

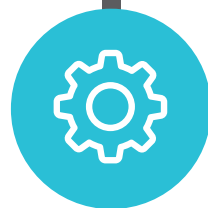
QUIZ: Are You Strategic or Opportunistic

Take the following situation and answer honestly. Would you say yes?

A new sales opportunity presents itself. A new client wants to give you a sale that will represent 20% additional revenue to your sales this year. How would you make the decision to move forward, or not, with the sale? Most entrepreneurs LOVE sales! So you will most likely ask yourself:



CAN I MAKE MONEY ON THIS?



DO I HAVE THE RESOURCES TO DELIVER THE GOODS OR SERVICE?



WILL THIS NEW CUSTOMER BE ABLE TO PAY ME?

new A/R's, materials, and new Payroll)?

2. Is this capital outlay consistent with our already budgeted capital needs? (In other words, is sales growth one of your budgeted strategic initiatives for the year)

If you ask these additional questions and answer yes to them, and then say yes to the sale, then congratulations! You are strategic in how you deploy capital in your business. If you answer no to either of these questions and, consequently, also say no to the sale, then congratulations! You showed discipline and are definitely a strategic business owner!

To build true value in your business you need to bring an investor's mindset to your decision-making process (just like our example above). To be a strategic business owner, it takes knowledge of your company's finances and the discipline to hold to your plans.