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## **Survival kit for entrepreneurs offers tips to weather tough times**

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Entrepreneurs call it the Valley of Death.

It's the situation nearly every business encounters in which revenues can't cover expenses.

According to John B. Dimmer, managing member of FIRS Management LLC, a private investment company in Tacoma, an "entrepreneur survival kit" can help business owners weather those near-death experiences.

Dimmer and Mike O'Brien, chief executive officer of Bellevue-based WiMetrics, Corp., presented the survival kit at the May meeting of the Three Rivers Entrepreneur Network.

"New entrepreneurs often are so busy they forget to pay attention to fundamentals," Dimmer said, comparing business basics to Ichiro's baseball mitt. "Without them you can't play the game."

The survivor kit focuses on three fundamentals: planning, timely reports and sales insight. "Whether you're a car dealership or a high-tech company, these survival tools work for any business," said Dimmer, who has experience in both fields.

### **Know where you're going**

The first tool is realistic monthly budget projections. These form the roadmap for the business. Dimmer recognizes that it is difficult for startups to establish and hit their projections. "You just don't know how revenues are going to spool up," he said.

He advises entrepreneurs to keep a tight rein on their natural optimism and to disregard the common practice of overstating revenue and understating expenses when preparing budgets. Instead, Dimmer encourages them to use industry data available on the Internet to establish a financial roadmap.

"The Internet is a wonderful tool for financial planning," Dimmer said. Examining the performance of publicly traded companies in their industry can give entrepreneurs a good idea of what their financial performance should be.

"Ignore the dollars and look at the percentages to determine what a standard financial statement for your business should look like," Dimmer said. For example, the gross margin for successful software firms is about 90 percent; marketing expenses, around 15 percent.

"Running a business is really about managing by percentage," Dimmer said. "With entrepreneurs faced with an absolute multitude of distractions and limited time to analyze financials, percentages can be a management dashboard by which to measure performance."

The goal is for your percentages to align with those of similar businesses.

### **Check your GPS**

Once the long-term roadmap is in place, the second tool, timely and accurate financials act like a like global positioning system to keep the business headed in the right direction.

"Get your financials within 15 days of month-end," he said. "These are the documents you need to navigate the business highway. They tell you exactly where you are at any point in your business journey." Without them, potentially dangerous situations can get out of hand before they're even identified.

A quick look at the updated percentages shows if the business is in line with projections. You can identify areas that are doing fine and pay close attention to those that aren't. Perhaps there is a one-time deviation that can be explained, or maybe the Valley is looming.

### **Understand the sales funnel**

The sales funnel is the third survival tool. It will determine your cash flow, how much fuel you have to complete your journey. Understanding the sales funnel also is useful in determining the number of sales people needed to keep the funnel full.

The concept is simple: prospective customers go in the top, and sales revenue comes out the bottom. Dimmer said that it is crucial to have a report that tracks how many prospects have to go in the top of the funnel to get one sale out the bottom, how many sales you need to maintain your cash flow, how long the sales cycle takes and the progress along the way.

If there isn't enough fuel to get to the next milestone on your roadmap, you're going to have to stop on the way for more money. "The time to find out you need more money isn't the night before payroll is due," Dimmer said. Whether you intend to self-finance, borrow from a bank or raise another round of funding, you need to know as far in advance as possible that funds are running short.

"With the three-part survival kit, you can do it," Dimmer said. "Moreover, current and potential investors will see that you understand the financial side of your business - a prerequisite when searching for capital to make it through the Valley of Death or for any other reason."