



## Expert Advice

## Startup Smarts

A Neumann & Associates' Aaron Soury shares tips to avoid making classic rookie business mistakes.

**L**aunching and running a small business can be a minefield for the neophyte. While thinking about big-picture issues comes naturally to entrepreneurs, it's often the small details that make the difference in the startup phase. Local expert Aaron Soury, a managing director with business broker A Neumann & Associates, says these four tips will counteract some common rookie mistakes.

**Keep business and personal funds separate.** An efficient financial-management strategy is impossible when you commingle business and personal funds, Soury says. It also causes a slew of other issues, such as improper tax filings. "When starting a business, the owner should have a team that includes accounting, legal, and financial pros. This sets up the business with the proper structure while providing checks and balances."

**Cash flow is king.** Owners of small-to-midsize businesses must constantly make decisions about which activities to allocate time and money. Ascertaining a specific ROI for each activity is not always possible, so the emphasis should be on cash-flow-generating activities, Soury notes. "The '80/20' rule is a good guidance: 20 percent of the business activities will generate 80 percent of the cash flow."

### Cash management is, too.

Efficient cash management is particularly important for small-to-midsize businesses, as these companies often do not have easy access to debt or equity financing. Soury's advice for effective cash management? Focus on collecting accounts receivable as quickly as possible; extend accounts payable to as long as possible ("Attempt to negotiate a 60-day rather than 30-day agreement, or 120 days rather than 60," he says); and develop a sufficient emergency fund to bridge unforeseen circumstances. "Start with a modest emergency fund, but increase it as the business grows. Also, work with your CPA to determine if it's advantageous to lease large assets, rather than buy them." Instead of outlaying \$50,000 to purchase a car, or \$1,500-\$2,000 per month to finance the car, consider leasing for \$400-\$500 per month instead, he explains. "This allows the business to retain more capital."

**Be a team player.** "You don't want to be the go-to person for every issue, so be sure you properly nurture and develop your staff. Provide the tools and independence they need to get the job done. Coach them along the way, and give more autonomy as they become proficient," says Soury.