

**MAY/JUNE 2015**

# WP

**WORKING  
PARTS  
MAGAZINE**

*A Publication of SMC Business Councils*



## **22 COVER STORY**

**MEET THIS YEAR'S  
SBA AWARD WINNERS**

### **SPECIAL REPORT**

**Large Number of Resources  
Available to Help Small Businesses**

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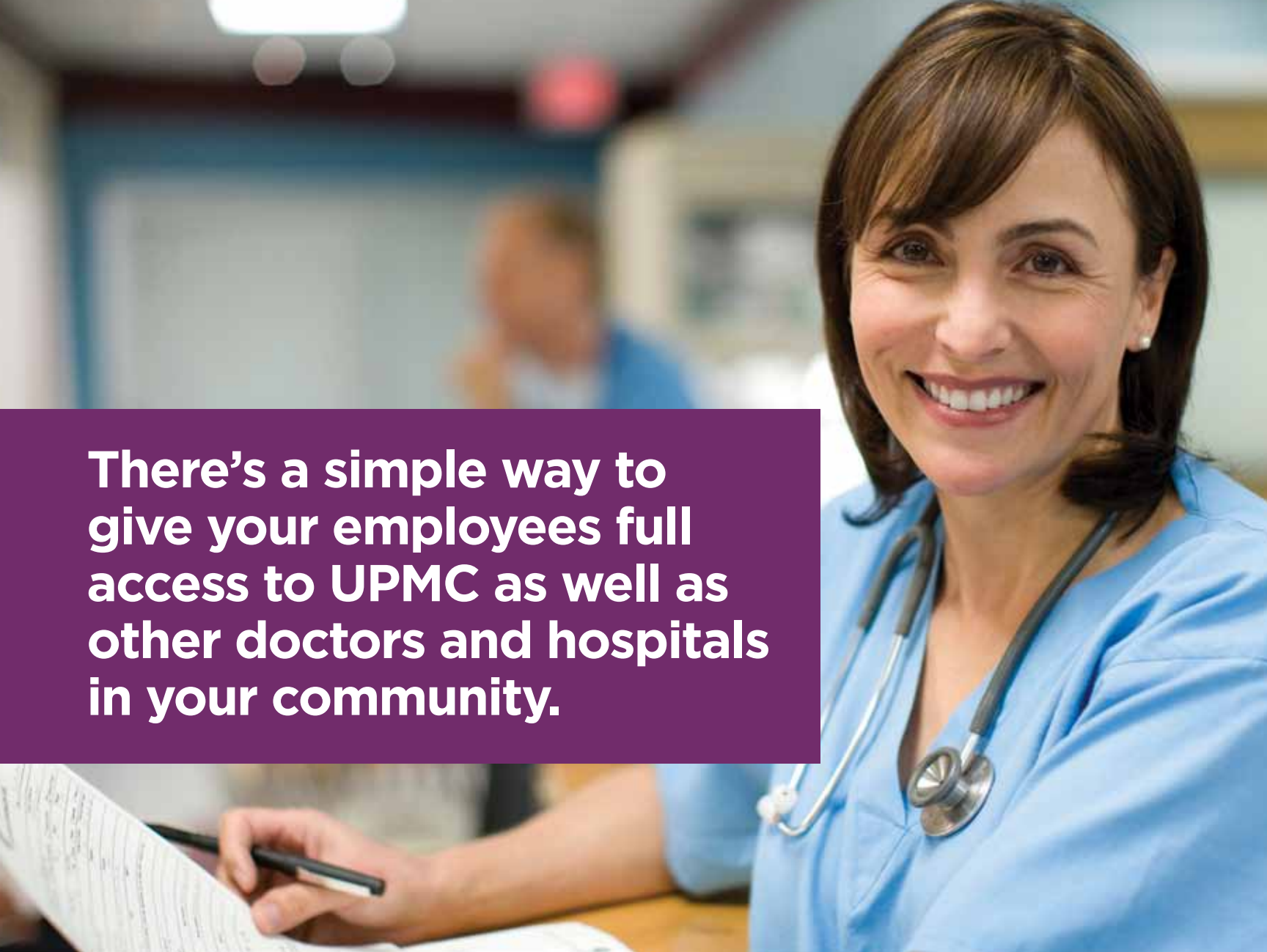
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2015 SBA award winners: From left, Jim and Colleen Small, Sidney Jake Huffmyer, Dr. Jash Sharma, Dan Mattson and Carina Navarro.

Photo: Ed Rombout Photography



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# Taking Pride in Being Small

The ongoing transformation of western Pennsylvania's economy continues to amaze me. The reason we've been able to move successfully beyond the dark days of the 1980s is nothing short of a miracle. Those of us in the small business community are the main reason we've become the blueprint for other cities worldwide. We have had to transition from heavy manufacturing to a diversified economic base comprised of advanced manufacturing, technology development, finance, healthcare, education, and business and professional services. In fact, a recent story in *BloombergBusiness* suggested that Pittsburgh's transformation is an example for Handan, China, and other Chinese manufacturing centers, to emulate as exports decline and re-shoring occurs. (Handan is a steel production center located 280 miles southwest of Beijing.)

As a participant in various awards competitions, and as an avid reader of this publication, I have learned about many innovative businesses that are helping the Pittsburgh region thrive. In this issue of *Working PARTs*, you'll read about a number of businesses that are contributing to the ongoing story – one I hope will never be finished -- that *BloombergBusiness* told its readers. Those closely-held companies include 3E Studios, Aero Tech Designs and CIMA Technology. Each of those companies, as well as a pair of UPS Stores in State College and Altoona featured in the cover story, exemplifies the vision of an entrepreneur who



found a market need that was going unfilled and had enough confidence in himself or herself to marshal the resources to fill that need.

Translating a vision into a thriving business is easier said than done if you're juggling many proverbial balls, as most small business owners and managers do every day, but SMC's many resources and services, including

HR consulting, insurance, government relations, networking and benchmarking can help a company succeed. I can tell you from experience that my business has benefitted significantly from guidance that SMC's outstanding team of professionals has provided.

Although our businesses may be small, it's important to remember that we are not alone in trying to run profitable operations most efficiently. In fact, this issue's Special Report describes many resources available through area universities and economic development organizations which are accessible at a nominal cost or free of charge.

I hope this issue of *Working PARTs* helps us develop a better appreciation for the impact of small business on our region, and of the valuable help at our disposal. I also hope that we take advantage of such assistance so our businesses – and the region – can continue to reach their potential.

If we do so, *BloombergBusiness* and other media outlets will continue to point to us – closely-held businesses in southwest and central Pennsylvania – as the gold standard in economic revitalization.

Mark Shelleby  
SMC Chairman of the Board of Directors



*Driving the growth of small business and manufacturing in Pennsylvania*

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# Talent Attraction 101

Raise your hand if you've expressed frustration in attracting the talent you need to run your business. You're not alone. We've all seen job openings go unfulfilled for months while we look for great candidates to fit our needs. As the leader of our small business, I can tell you we've made a few missteps on that front.



The result? We re-posted our open job description and received more than 100 resumes from highly qualified applicants.

### Compensation Strategy

The success of our organization depends on businesses recognizing the return on investment they receive for their membership dollars. From insurance to operational benefits, advocacy

to HR assistance and education to business introductions there are so many ways to use SMC to a member's benefit. Our "aha moment" was realizing that every staff member has the opportunity to create a relationship with our members. In doing so, we wanted to incentivize and reward our staff for developing those relationships. But where could we find information on salaries and benefits? Fortunately, we turned to SMC's own Compensation Survey which summarizes data from local employers and is the only regional survey of its kind in Pennsylvania.

### Rewards

Based on our research, SMC launched a recognition program that rewards members of the SMC team who help attract and retain businesses as members. Whether one person or several members of the team are involved, all qualify. One of the best results of this new strategy is how the SMC team works with one another. The desire to assist our members has led to our team developing a deeper understanding of our programs. One of the most exciting parts of our journey is how our board members have become part of the process.

After scratching our heads and wondering why we had a hard time finding the "right" people to send us their resumes, we took a look at our processes and realized there was room for improvement.

This final straw was the result of posting an opening for a new position and only receiving a total of 15-20 resumes. We decided to take the posting down and made the following changes:

### Job Descriptions

1. Modified a "boring" job title to one that reflects the position's responsibilities and appealed to the imagination of job seekers.
2. Described how the role was of key importance to the success of the organization instead of merely listing "job duties." Traditionally-written job duties were re-written in active language and tied to outcomes.
3. Provided a correlation between required experience/background and the work to be done.
4. Recognized that some positions do not require specific degrees, and that people's attitudes toward the positions and our members/clients/customers was more important.
5. Changed a dry writing style to one that engaged the reader and accurately portrayed the type of organization we are.

President, SMC Business Councils

## ACT NOW

# Become a Statistic!

The accuracy of our Compensation Survey depends on your participation.

- Are Your Salaries & Benefits Competitive?
- Is Your Pay Package an Asset or a Liability?
- Are You Attracting & Keeping Quality Employees?
- Are You Considered "The Local Training Ground" for Your Competitors?

If you can't answer those questions with absolute certainty, you need to participate in the 2015 SMC Compensation Survey.\* For more than a decade, we've been helping business executives see how their compensation practices compare to those of direct competitors for employee talent.

Many surveys have national data, but only one compares your pay scale exclusively to those of other businesses in western and central Pennsylvania.

To participate in the survey, contact Rosann Linza at 412.342.1604 or [rosann@smc.org](mailto:rosann@smc.org) by Friday, July 31.



Where PA  
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\*Prepared in collaboration with  
EH Research Data Services.



# Making a Difference Through Entrepreneurship

by KELLY HUNT



The most successful entrepreneurs I have known use their leadership abilities to influence people and structures to develop and deliver new products and services. In doing so, they are influencers of

positive change who derive as much satisfaction from “doing good” as from “doing well.” In fact, more of today’s entrepreneurs than ever strive to establish companies, or ventures within those companies which apply financially sustainable business models with strategies to maximize profits and advance a social mission. This approach to business can have a positive influence on employees and other stakeholders.

Zappos, the online apparel retailer, is a prime example of a company which combines profit, passion and purpose. The corporate culture focuses on employees’ well-being and is on a mission to make the world a better place. In that vein, Zappos

donates large amounts of their goods to numerous charitable organizations. Moreover, Zappos leadership pays employees for time off when they volunteer, recognizing that work performed during the 9-5 workday is not the only kind of work that matters.

Although social enterprise is not a new idea, it is becoming increasingly popular because of the decline in funding sources to not-for-profit organizations. In addition to manufacturing products or providing services, a social enterprise goes above and beyond a traditional business by providing job training opportunities and other benefits that help employees improve themselves. Such businesses also gauge their performances based on a double or triple bottom line that delivers financial, social and environmental returns on investment. Thus, a social enterprise is a hybrid of a business and a charity or other kind of not-for-profit organization.



Following the Haiti earthquake in 2010, Ian Rosenberger founded Thread, which converts used plastic bottles into raw materials and fabric cost-effectively.



Method Products pays employees well and also pays suppliers to reduce their carbon emissions.

In Portland, OR, The Oregon Public House, the nation’s first non-profit pub, donates profits to local charities. Customers can choose where the profits from their purchases will be donated. In its first 15 months of operation, the Public House contributed more than \$30,000 to organizations in The City of Roses.

In the Nation’s Capital, DC Central Kitchen is reducing hunger with recycled food, training unemployed adults for culinary careers, serving healthy school meals, and rebuilding urban food systems through social enterprise. Some two-thirds of the organization’s revenue are from catering operations, and one-third comes from charitable donations.

Examples of for-profit social enterprises include Plum Organics, a California-based manufacturer of healthy baby foods; Dansko Shoes, a Chester County-based manufacturer of comfort footwear; and Method Products, a California-based manufacturer of green cleaning products.

Plum Organics was established in 2007, and by the end of 2012 the company had \$93 million in annual sales. Plum Organics donates its Super Smoothies product to less fortunate children with nutritional needs.

Dansko Shoes, located in West Grove, PA, houses the township’s only recycling center and pays its employees for volunteering within the community, and donates an equal amount to not-for-profit organizations. The employee-owned company generates annual revenues of \$140 million.

Method Products was established in 2001 and had revenues of more than \$100 million in 2012. It operates with a “cradle to grave” philosophy of product stewardship. Workers are paid more than 40 percent above living



wage and get 20 hours of paid time off for community service. The company also pays its suppliers to reduce their carbon emissions and gives preference to fair trade suppliers.

Businesses can also demonstrate their commitment to being socially responsible by partnering with organizations such as Goodwill Industries which provides employment, training and rehabilitation for people of limited employability.

### Sustainable Proof

In response to the growing trend of companies wanting to simultaneously do well and do good, a new kind of designation has emerged. The Certified B Corporation (B Corp) is to sustainable business what LEED certification is to green building or Fair Trade certification is to coffee. Only for-profit businesses can get B Corp-certified by the non-profit organization called B Lab, which has an office in Wayne, PA, near Philadelphia.

B Corps are certified by B Lab to meet rigorous standards of social and environmental performance, accountability and transparency. Today, more than 1,100 Certified B Corporations from more than 35 countries and 120 industries work together toward a single goal: to re-define success in business.

Southwestern Pennsylvania is home to a number of B Corporations. They include Rorus, a manufacturer of inexpensive point-of-use filters that purify water using silver nanoparticle technology and is an alternative to bottled water in disaster relief situations; Thread, which converts used plastic bottles into raw materials and fabric at a fraction of the cost of making virgin materials from oil; and Idea Foundry, an accelerator that supports socially- and environmentally-focused startups.

### Passing the Test

Becoming a socially responsible company takes as much planning, if not more, than that which is required to become and remain a traditional profitable business. To make sure a business is well-suited to being socially responsible and environmentally sustainable, the leadership team should “do their homework” by:

- Identifying a problem or need associated with the company’s mission
- Making sure other people have the problem or need identified
- Developing an idea for product or service that solves the problem or need
- Researching solutions currently available
- Making sure the product or service is unusual or unique
- Making sure customers will pay for the product or service being offered
- Determining how to reach potential customers
- Determining how customers will buy the product or service
- Testing assumptions through quantitative and qualitative market research

Regardless of whether your business manufactures a product or offers



a service, there could be opportunities to integrate profitability with social responsibility and sustainability. The U.S. Small Business Administration’s Pittsburgh District Office has many resources to help you determine how your business can do well and do good. **WP**

### ABOUT THE AUTHOR

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# If at First You Don't Succeed, TRY, TRY AGAIN

by TODD MILLER

During her college days at the University of South Florida, Cathy Rogers became a cycling enthusiast and raced in competitive events. In the late 1970s, when her passion was taking root, clothing for cyclists was made exclusively for men. Besides making her own padded shorts to prevent chafing and pocket shirts to hold snacks, she started making clothes for friends and hatched the idea for a business she ran for a dozen years. Due to some “bad decisions,” however, the business failed. Ms. Rogers then launched a second career by earning a master's degree in education and teaching business courses at Mt. Lebanon High School. Following her retirement from the classroom in 2005, the entrepreneurial bug bit her again, and she started Aero Tech Designs, a manufacturer of cycling apparel for men and women. The company was among the first of its kind to market its products exclusively online, and has built and maintained a loyal customer base worldwide.

According to Ms. Rogers, “Our value proposition is, and has always been, that we can sell quality products to customers anywhere at competitive prices because we don't have layers of costs that competitors who go through distributors or other ‘middle men’ do. As a manufacturer that sells directly to the consumer, we can keep our prices reasonable.” Some 85 percent of the company's sales are within the United States and 15 percent are international, mostly to customers in the United Kingdom and Australia due to the “language similarity,” as Ms. Rogers puts it.

## A Direct Approach

In the distant past, the company tried selling its products to sporting goods retailers, but the chains weren't interested in



Cathy Rogers, Founder & President, Aero Tech Designs

Aero Tech's products because they couldn't compete on price with low-cost suppliers from overseas. That experience led Ms. Rogers and her team to reason that the best way to reach customers with quality merchandise was by selling directly to cycling enthusiasts who wanted the best apparel made exclusively for bicycling.

The global following which Aero Tech Designs built has enabled the company to grow from a one-person operation to a business that employs 40 people, 30 of whom produce apparel from the company's Coraopolis manufacturing facility and headquarters. In fact, the company makes half of its products locally and sources the other half to partners in China, Italy and Pakistan who are able to meet the company's high standards.

To keep up with rising demand and the latest in apparel manufacturing technology, the company will move to a 63,000 square-foot facility on Pittsburgh's North Side by this fall. Within the next year, Ms. Rogers expects the company's number of employees to double to about 80.

Fittingly, the building that Aero Tech Designs will occupy is located at the corner of Preble and Island Avenues, next to the Three Rivers Heritage Trail, a multi-use trail system along Pittsburgh's three rivers. The move was precipitated by a switch to lean manufacturing.

## Offering More & Giving Back

Looking ahead, the company plans to use the new production facilities to expand its line of clothing for urban cyclists who like (or need) to wear dress or casual clothes instead of “cycling gear” while riding their bicycles, and require the flexibility, sun protection, quick dry and seamless crotch features of traditional cycling apparel.

Aero Tech Designs also plans to use its new space to perform sublimation printing. The technique consists of using heat and pressure to apply art work, such as photo images or designs, to white polyester cycling jerseys or shirts, dyeing the light-colored fabric to the customer's preferences.

“With the move toward customization in all aspects of retailing, our investment in sublimation printing should help us generate additional revenue streams from established and new customers alike,” says Ms. Rogers.

As for giving back to the community, Ms. Rogers is a board member of Bike Pittsburgh and is deeply involved with the not-for-profit organization which helps to make the City of Pittsburgh safe, accessible and friendly to bicycle transportation.

At the national and regional levels, the company sponsors bike races, promotes bike tours and advocates for the construction of bike paths and the installation of bike-share kiosks. **WP**



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## SALES &amp; MARKETING

# Getting the Best ROI from Your Training Dollars

by BRYAN WHITTINGTON

No matter the size of the business or type of training, one question towers above all others: When deciding on an employee training program, how do we ensure a good return on investment (ROI) of time, effort and capital?" By following five straightforward steps, one can make an informed decision based on expected ROI.

## Step 1: Desired Improvement.

Common areas for improvement typically include decreased production time, increased uptime and increased sales transactions; however, use caution during this step because the obvious fix does not always solve the problem. Often, organizations unintentionally focus training on the symptom of a problem instead on the problem's root. An example that we run into almost daily happens when owners tell us, "My people just don't know how to prospect. If you teach them how, we'll see more meetings, more closings and more revenue". Although this request appears to make perfect sense, prospecting may not be the problem. Instead, there may be discomfort with prospecting to the right level of an organization (e.g., the C-suite).

## Step 2: Benchmark "As-Is" Status Compared to "As-Desired."

Many organizations don't calculate ROI from training results because they lack knowledge of how to properly benchmark the "as-is" state in "soft" numbers. Almost all organizations can hit a button to determine the "hard" numbers (e.g., cost per widget), but most run into difficulties determining how to measure the costs of turnover, marketing leads, lifetime revenue

per client, average sale and downtime, among others, because they arise from multiple factors and may prove difficult to quantify. When dealing with a "soft" number, the answer will often be, "well, it depends." Although challenging, quantifying "soft" numbers is critical to realizing desired ROI from training activities.

## Step 3: Determine the Business Case.

It's impossible to find a hard-and-fast number to determine ideal ROI. Instead, each organization should decide what constitutes reasonable ROI for each type of training. When we engage with clients, we look for ROI of at least 10X. Yet, when training an administrator on how to better use the Microsoft suite of products, for example, one might not realize a 10X ROI if the administrator doesn't have the skills to use those programs optimally, which can result in an organizations experiencing a tarnished image, lost sales or declines in repeat business -- all soft numbers.

## Step 4: Adoption & Application of Training.

This area has the potential to impact ROI more than any other one. The key to developing buy-in comes from leadership's involvement in the training, including requiring use of training in the field during ride-alongs, and in sales call debriefing sessions. This level of accountability in the face of expected resistance from sales staff can help to promote "buy-in" throughout the organization.

## Step 5: Reinforcement.

For the best ROI, the new practices and behaviors must be integrated with the organization's culture. To illustrate that, no matter how good the training content and delivery are, with no reinforcement following a 1-, 2- or 3-day training session, an organization will not see the lasting change for which it was looking, and will consequently not realize the desired ROI. To illustrate this point, we wrote a book titled *You Can't Teach a Kid to Ride a Bike in a Seminar*.

A person once asked me, "What happens if I train my people and they leave?" I responded by asking, "What would happen if you don't and they stay?" Although training can be expensive and takes an organization's team out of the field, by following the steps outlined, you can achieve the desired ROI.

For additional information on how to make your training dollars work for you, download our sales guide titled *Why Salespeople Fail* by visiting [www.peakperformance.sandler.com/ebook](http://www.peakperformance.sandler.com/ebook) **WP**

## ABOUT THE AUTHOR

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## HUMAN RESOURCES

# Growing Your Business: The Challenge of People

by DAVE BAKER  
Human Capital Advisors, Inc.

So you've experienced the kind of success you had envisioned some time ago. Your hard work, commitment to your customers, development of new products and solutions has resulted in some degree of success, although you are cautious and know this didn't happen by chance.

But, you sure wish someone had been able to tell you what to expect, and more importantly, what to avoid. Those mistakes hurt, both personally, professionally and to some extent financially. And interestingly enough, most of those issues involved one particular resource – PEOPLE! No one told us how difficult that aspect of running a business was going to be.

The truth is, the single greatest challenge to growing a business comes down to people. A few years ago as the partner responsible for the Human Capital practices, processes and procedures for the largest venture capital firm in the region and their entire portfolio of companies (more than 35 at the time), our team's responsibility was to advise and counsel our CEOs and their respective executive teams on all things regarding this most valuable resource. Surprisingly, our efforts centered around selection, leadership, compliance and competitiveness. Here is the guidance we provided.

## Selection

One bad apple .... If you've been in business for any period of time, you've hired at least one individual that didn't fit with your company, or worse, bluffed their way past the interview process only for you to realize that they talked a good game but their actual performance was suspect at best.

We recommend a defined selection process, one that includes a clearly defined job description and both the technical responsibilities and the soft skills essential to success in that role. We also recommend that you consider profiles or assessments relevant to your jobs and apply them to everyone.

Ever wonder why Honda and Toyota USA both have exceptional U.S. manufacturing workforces? They use tough critical selection processes and assessments on every single hire.

## Leadership

Management and supervision of employees is the next most critical element to growth, and even more critical to success. We've all seen or worked for people who we'd be willing to move mountains for or work night and day to help. Conversely we've seen those knuckleheads everyone talks about and who everyone avoids and despises.

Directing and leading employees comes down to a few important skills. Clear communication, specific goals, simple direction, integrity, care and leading by example. You may not know it, but someone is watching you. If you are in a leadership position, it's more than someone, it's several. What you do, how you do it and the sincerity and honesty with which you do it is palpable. Developing key leadership skills within your management ranks is the second key to success.

I hate to use a sports metaphor here but there's a reason the top coaches in the NCAA get results. They select the best, they direct and motivate them, they inform them of the rules (compliance) and then instill in them the desire to win. And nothing attracts great talent like success.

## Compliance

We live in world governed by laws, and ignorance of the law isn't forgivable. In fact, it causes more trouble. Once an employer reaches 100 employees, relatively small by most standards, there are 46 laws that govern the employment of your people. Funny thing is there are more than 30 that are in effect at 50 employees! Step on one of these land mines and watch what happens.

## LAWS THAT GOVERN YOUR EMPLOYEES

...



100 EMPLOYEES =

46 LAWS

50 EMPLOYEES =

30 LAWS

In this instance, it is very important that you understand them yourself, hire someone internally who does or hire a firm that can guide you. Those of you scrambling to meet all of the Affordable Care Act (ACA) compliance guidelines know what I mean. The government put the ACA under the control of the IRS for a reason!

These three focus points can turn any company into a great one. But there is one last critical link to success. People are your competitive edge. Look around the local landscape and think about companies which have experienced tremendous success from an idea and eventually became extraordinary: SmartOps acquired by SAP, FreeMarkets acquired by Ariba and FORE Systems acquired by Marconi.

In each case, they made the selection and leadership of their people their most important focal point. From there, they were able to develop not just good companies but great companies that eventually garnered national recognition for their best practices. (A good read for other examples is Jim Collins's book, *Good to Great*). **WP**

## ABOUT THE AUTHOR

Dave Baker is the CEO of Human Capital Advisors ([www.hcadvisors.net](http://www.hcadvisors.net)), a full service 'human capital' consulting firm located in Cranberry Township.

## HEALTHCARE

## Self Funding vs. Fully Insured

by JOHN MILLS



All companies – large, small, or in-between – must deal with how best to handle health insurance costs. For many, the first basic question that needs to be answered is: Should a company choose

to be fully insured, or should it opt to be self-insured?

Choosing the right kind of health plan is an important part of the success and growth of a company, but there are a lot of misconceptions about which plans are right for which kinds of companies. You need to look at all evidence before you decide.

Historically, smaller companies are the ones that most often choose to be fully insured. With fully insured plans, a company pays a set premium price to the carrier which is fixed for the year and is based on the number of employees enrolled each month. The insurance company assumes the financial and legal risk of loss if claims exceed projections.

The traditional definition of self-funding is when a company pays for its own medical claims directly, usually while a third-party administrator processes claims, issues ID cards, and performs the function of a health plan.

Companies with fewer than 250 employees are often afraid that they will be exposed to too much risk with a self-funded plan. However, there are ways smaller companies can still afford to be self-funded.

By purchasing stop-loss insurance, which limits the amount of claims expenses an employer would be liable for, per covered employee, per year, a smaller company

can protect itself against some sort of catastrophic event involving one or more of its employees. Stop-loss insurance reimburses an employer's health plan for claims above a pre-set limit.

### Advantages of Self-funding and Fully Funded Plans

The most obvious advantage of self-funding is that a company pays for actual claims incurred by its employees. This means there is no chance of being "penalized" if a company's employees in a given year use fewer medical services than anticipated. This also means any positive results that come from a company instituting wellness programs and smoking cessation campaigns, can have a direct result on the bottom line.

Also, a company can easily obtain a company-specific claims report that can reveal, for instance, what percentage of claims are out-of-network, and how much is being spent on emergency room visits. This kind of information can provide direction when it comes to customizing benefit changes.

Cost certainty is a major advantage of a fully funded plan. You know at the beginning of the year what your health care costs will be and they remain in place until a new deal is struck. Also, all of the risk is assumed by the health insurer, which means the company is spared any exposure.

- A company pays for its own medical claims directly.
- A third-party administrator processes claims, issues ID cards, and performs the function of a health plan.

SELF-FUNDING

VS.

FULLY INSURED

- A company pays a set premium price to the carrier which is fixed for the year.
- The insurance company assumes the financial and legal risk of loss if claims exceed projections.

### Things to Consider

Self-funded plans that greatly exceed anticipated costs can create problems. Although stop-loss coverage can protect an employer from paying excessive claims

in a given year, after a major incident, the cost of the stop-loss coverage that the company purchases is likely to rise. Moreover, it may also be more difficult to get lower rates from other stop-loss providers.

Higher-than-expected claims in self-funded plans can also make it more difficult to return to a fully funded plan at a later date. In addition, any organization that chooses to run a self-funded plan internally, rather than use a third-party-administrator, can run up higher-than-expected administrative costs.

Self-funding is not a quick fix and savings are not always guaranteed or immediate, but it can make sense for companies, even smaller ones. In order to make a good decision, you need to study past coverage utilization, cash flow, and the health status of the employees being covered. **WP**

### ABOUT THE AUTHOR

John Mills is Senior Director, Consumer Products, UPMC Health Plan. To learn more about UPMC Health Plan group plans, visit [www.upmchealthplan.com/employers/learn/plans-and-services](http://www.upmchealthplan.com/employers/learn/plans-and-services).



## FINANCIAL

## Financing for Business Succession

by SAM HUSTON

As merger and acquisition activity heats up due to low interest rates, a recovering economy, and changing consumer trends, a wave of owners seeking retirement and other factors, now is an attractive time to buy or sell a business. Before you complete the transaction, here are some things to consider in finding the right buyer and structuring the deal to mutual advantage.

### Sizing Up Your Market

Consumer trends, such as the emergence of interconnected and wearable technologies, and the fast-moving gluten-free and health food movement, have led businesses to make investments in these areas so they can extend their signature product lines. More often than not, it's the larger companies with established distribution channels and a retail presence that are best positioned to buy in today's market because buying makes more financial sense than building, regardless of business sector.

In addition to conventional industry players, smaller businesses with cutting-edge products should consider whether to offer themselves for sale. Although buyers may have the resources and knowledge needed to execute a purchase, there's an art to preparing a company to sell and, often, it's the seller's preparation that can make a deal or, more importantly, influence the amount paid.

Seller motivation can run the gamut, from those looking to simply cash out and walk away, to others wishing to ensure employees, customers, suppliers and, perhaps even a next generation, retain a role within the succeeding entity. Businesses that execute a solid succession plan and have their financial processes in order have the highest probability for success.

### Fine-Tuning Your Deal

With so much riding on seller preparation, a once-in-20-year transaction like the sale of your business requires a savvy financial expert — one who is knowledgeable about the fundamentals within your market sector.

Look for someone who understands your markets, changing consumer trends and the competitive environment that affects your business. Moreover, by choosing an expert who is well-connected to investors, and to recent activity within your industry, you will be able to fine-tune the sales process. Among other things, this expert can help you respond quickly with a variety of financing solutions to help you capitalize on the best opportunity.

Structuring a deal will largely depend on your unique opportunity and the nature of your objectives with regard to how your ownership interests are transferred. The purchase will likely involve either debt financing on the buyer's side, or the use of equity in the form of stock, the issuing of bonds, or a combination of the two.

For businesses producing a stable free cash flow, mezzanine financing can be an effective way to bridge the gap between a conventional loan against assets, and the total value of the business purchase. Although mezzanine financing carries a higher interest rate, more businesses with strong free cash flow are opting for it as an avenue to obtain financing without issuing equity and diluting their ownership stake in the business.

A buyout structure could involve an earn-out provision consisting of a stock transfer over an agreed upon timeframe between buyer and seller. In the event you're an owner among partners, you'll also need to consider the benefit of a cross-purchase agreement or an entity-purchase agreement providing key-person insurance on all business experts. Such coverage can provide proceeds used to buy out a share of the business and ensure a smooth transition, should you or a business partner pass away.

If transitioning ownership within your family — say your daughter plans to finance her purchase over ten years — she may wish to use a combination of capital sources enabling a portion of the buyout to be funded at closing through debt financing over the first five years and another portion in the form of an earn-out provision tied to the business's financial performance over the remaining years.

Regardless of your motivation for selling, preparation and the right financial expert are key. Whether you're ready to move on, or desire to stay involved to ensure that your legacy is preserved, there are many ways to make sure your sweat equity endures. The decisions you make now can help you and yours secure a bright future. **WP**

### ABOUT THE AUTHOR

Sam Huston is Huntington Bank's Business Banking Area Manager. He may be reached at 724.741.2850 or [sam.huston@huntington.com](mailto:sam.huston@huntington.com)



# Large Number of Resources Available TO HELP SMALL BUSINESSES

by TODD MILLER

According to the U.S. Small Business Administration (SBA), manufacturers employing 500-1,500 people, services firms with annual revenues from \$2.5 million to \$21.5 million and wholesalers employing 100-500 people are small businesses. Although there has been controversy over the employment and revenue numbers which separate small businesses from larger enterprises, two things are clear: Owners of independent firms often require external assistance to help their companies grow, and there are

One of SBA's other resource partners is **SCORE** ([www.score.org](http://www.score.org)), a national network of entrepreneurs, business leaders and executives who volunteer as mentors to small businesses, sharing their "real world" expertise through one-on-one counseling and workshops. Those sessions focus on a range of topics, including fundamentals of a business plan, cash flow management and marketing.

The SBA also makes loans from \$5,000 to \$5 million through lending institutions

such as Huntington Bank, the country's leading SBA lender in 2014. Huntington makes SBA loans to a variety of businesses. In the Pittsburgh District, for the SBA's 2014 fiscal year, Huntington made more than 230 loans totaling more than \$35.4 million. To date, for the SBA's 2015 fiscal year (October 1, 2014, through April 30, 2015), Huntington Bank has made more than 160 loans for more than \$27.8 million, so the bank is trending to exceed its 2014 numbers.

"We've made a science out of efficiently guiding business owners through the SBA lending process," says Sam Huston, Huntington's business banking area manager. "Our understanding of the process, and our relationships with SBA representatives, have given us some of the industry's best loan application-to-close turn-times."

Mr. Huston, who is based in Cranberry Township, also points out that the SBA has taken great strides to increase lending opportunities by eliminating fees to borrowers on loans up to \$150,000, and has done likewise on loans to veterans up to \$350,000.

*Continued on page 18 >*

*"Small Business lending is a major emphasis of ours because we believe the market is underserved..."*

**Sam Huston**

*Business Banking Area Manager,  
Huntington Bank*

many organizations with the theoretical knowledge and practical expertise that enable these firms to develop new products or services, establish new markets for products or services they currently offer, or help their operations run more efficiently.

The SBA's **Small Business Development Centers (SBDCs)** help to build, sustain and grow small businesses by providing no-cost services to businesses with 500 or fewer employees. There are more than a half-dozen SBDCs ([www.sba.gov/sbdc](http://www.sba.gov/sbdc)) throughout western and central Pennsylvania, and a dozen more throughout the Commonwealth. According to national research, SBDC clients benefitted most from assistance with revising marketing strategy, increasing sales, expanding product or service lines, improving cash flow and increasing profit margin.



The University of Pittsburgh's Institute for Entrepreneurial Excellence helps owners and executives of closely-held businesses gain insights for success and learn to overcome challenges through access to exclusive resources.





# Make an **IMPACT** on Your Business!

Trade Show in Chile, CONEXPO Latin America, October 20-24, 2015  
Trade Mission to Mexico & Colombia, Spring 2016  
Peru Trade Mission & Show, Fall 2016

If you're looking for opportunities to grow your business, join the Duquesne University Small Business Development Center (SBDC) Exhibit Booth at the CONEXPO Show in Santiago, Chile this Fall.

The International Marketing to Pacific Alliance Countries for Trade (IMPACT) initiative gives Pennsylvania companies the opportunity to develop customers or clients in Mexico, Colombia, Peru and Chile — the Pacific Alliance Countries. These nations have signed a Free Trade Agreement with the U.S., eliminating or reducing tariff barriers on at least 80% of products, and on many services.

If your company is in one of these sectors, participating in the upcoming trade missions could pay off:

- > Construction & Infrastructure
- > Engineering
- > Equipment Manufacturing (Transportation & Power Generation)
- > Mining
- > Oil & Gas
- > Petrochemical

To achieve the growth you need to stay competitive, contact Brent Rondon, Duquesne University SBDC, at **412.396.5670** or **rondon@duq.edu** or visit **www.sbdc.duq.edu/impact**

## IMPACT



# SPECIAL REPORT

“Small business lending is a major emphasis of ours because we believe the market is underserved despite the fact that small business has been our country’s engine of economic growth for decades,” says Mr. Huston.

Despite being the country’s 36th largest bank, Huntington is the number-two SBA lender for the first half of the 2015 SBA fiscal year (nearly 2,200 loans) and number-five in dollar volume (\$300 million). The bank is also first in units and dollars in western Pennsylvania, Ohio, West Virginia, Michigan and Indiana.

## University-Based Services

To develop strategies for improving revenue or profitability, small business owners and their management teams can also take advantage of programs offered by universities throughout the Pittsburgh region, including the **University of Pittsburgh Institute for Entrepreneurial Excellence (IEE)**. The Institute, which was established more than 20 years ago, works with upward of 1,000 companies each year, primarily in Western Pennsylvania with offices in Allegheny, Washington and Greene Counties.

“Through our education, consulting and networking opportunities, entrepreneurs get ideas about how to grow their businesses and receive guidance from people who know what it takes to succeed,” says Bob Stein, the Institute’s director.

To reflect the IEE’s wide-ranging mission, it moved from the Katz Graduate School of Business to the newly-formed Innovation Institute, which also includes the Offices of Technology Management and Enterprise Development.

**The Center for Applied Research and Intellectual Property Development (CARIPD)** at Clarion University focuses exclusively on turning commercial and academic research into marketable products. The 2,500 square-foot off-campus facility in

the Gregory Barnes Center is well-suited to activities related to manufacturing design, as well as biotechnology, nanotechnology and pharmaceutical technologies.

“We are not just an incubator. We have the necessary prototyping and process equipment in-house, which makes it easy for our clients to conduct applied research,” says Benjamin Legum, CARIPD’s director and an assistant professor who began his career as a manufacturing and process engineer. Such equipment and facilities include a Class 10 clean room, CNC mill, 3D printer, centrifuges, and environmental scanning electron microscope.

Over the past five years, CARIPD has worked with more than a dozen startups on



Clarion University’s Center for Applied Research & Intellectual Property Development is ideal for activities related to manufacturing design, biotechnology, nanotechnology and pharmaceutical technologies.

companies and want to become more valuable to their employers.”

According to Ms. Harris, the majority of women who participate in the Center’s programs represent firms in consulting, retail, food manufacturing and distribution, biotechnology and computer technology.

***“Through our education, consulting and networking opportunities, entrepreneurs get ideas about how to grow their businesses and receive guidance from people who know what it takes to succeed.”***

**Bob Stein**

*Director, University of Pittsburgh Institute for Entrepreneurial Excellence*

product and prototype development, and multiple mid-sized companies.

Women business owners, or would-be entrepreneurs, throughout Allegheny, Butler, Greene and Westmoreland counties can take advantage of training, mentoring and networking opportunities through **Chatham University’s Center for Women’s Entrepreneurship**.

“The Center helps to create economic opportunities for women who want to start or grow their own businesses,” says Rebecca Harris, the Center’s director. “Our programs can also be useful to women who work for

**Carnegie Mellon University’s (CMU’s) Center for Innovation & Entrepreneurship** helps CMU alumni launch startups with assistance from a broad network of 100,000 alumni. Co-directed by Lenore Blum and Dave Mawhinney, the Center also helps CMU undergraduate and graduate students test business ideas. Upon graduation, students may receive startup funding up to \$50,000, which CMU helps them match with capital from external sources, including household names in the corporate and venture capital worlds.

According to Mr. Mawhinney, “The center is a bootcamp for helping students



test their ideas and make connection. Many of those ideas become companies that need products or services from the local area, so established companies should pay attention to companies that originate through the Center.”

Some of the companies that started in the Center include 4moms, a Downtown Pittsburgh-based manufacturer of high-tech baby gear; RX Brewing, an Emsworth-based brewer of gluten-free beer; and Sole Power, a Pittsburgh manufacturer of power-generating shoe insoles that can charge portable electronics.

### Seed Funding & Accelerators

“In southwestern Pennsylvania, the manufacturing sector is still one of the largest employers,” says Bob Starzynski, director of business development for **Innovation Works (IW)**, an Oakland-based provider of seed-stage funding and business consulting services. Besides helping small manufacturers become or remain competitive through development and implementation of process



Chatham University’s Center for Women’s Entrepreneurship offers training, networking and mentoring for women who want to grow their own businesses. This Center-sponsored session for aspiring entrepreneurs took place at the e2 restaurant in Pittsburgh’s Highland Park neighborhood

improvements or new products, IW can pair companies with strategic resources at area universities to help with innovation of all kinds.

Under the Innovation Works umbrella is a pair of accelerators — **Alpha Lab** and **Alpha Lab Gear**. Alpha Lab provides early-stage technology companies with an extensive mentor network, educational

*Continued on next page >*

# APPLYING FOR A BUSINESS LOAN

According to Sam Huston, Business Banking Area Manager at Huntington Bank, at some point, almost every business is going to need a loan, and being prepared is the key to success in the loan process. Here are some tips to help you prepare.



**Don’t wait until the last minute to talk to your banker.** Because your banker is familiar with the loan process, you should take advantage of his or her expertise as you prepare to go through the process of applying for a loan.

**Have a business plan, and be able to communicate it.** A business plan explains what your business does, how you operate it, and its accomplishments and its goals. It should also include an overview of finances, and how resources are managed. The business plan demonstrates to your banker that you are taking a thoughtful approach to your business.

Understand your personal credit score. Until you’ve built up a credit history for your business, the bank will look at your personal credit as a predictor of how you will handle your business’s finances. Know your personal credit score, and be prepared to answer questions about it.

**Be prepared to explain any past financial challenges.** Like your personal credit, how you’ve handled past financial challenges is an indicator of how you’ll handle them in the future.

**Be able to explain why you need money, and how it will be used.** You must be able to clearly explain what you want to accomplish with the loan. Demonstrating that you have a specific purpose for the money, and plan for using it, will help the bank to build confidence in you.

**Don’t wait until the last minute to talk to your banker.** Because your banker is familiar with the loan process, you should take advantage of his or her expertise as you prepare to go through the process of applying for a loan.

**Explain how you will fund the down payment.** A down payment will almost certainly be required. Your ability to produce an adequate down payment shows the bank that your finances are sound, and that you’re willing to assume some of the risk.

**Bring your updated financial information with you to the bank.** Accelerate the process by providing your most current information when you go to the bank. If you’re uncertain about what you need, contact your banker ahead of time and ask.

**Help gather additional information.** Sometimes, especially when multiple partners are involved, the bank will require additional information. You can help move things along by helping to coordinate the collection of information.

**Allow the banker to speak with your accountant.** Bankers and accountants speak the same financial language. It may help the process go more smoothly if your banker and accountant speak with each other directly. They’ll make you aware of any information that passes between them.

**There’s still work to be done after the loan is approved.** After the loan is approved, due diligence begins and work continues. Due diligence may include an appraisal, environmental work, verification of good standing with the State and gathering articles of incorporation, and more. All of these things take time, so patience is key..

**Having a strong relationship with your banker can be a big help.** During the due diligence phase, questions or hurdles may arise. Staying in touch with your banker, responding to questions quickly and providing information when needed can help things go smoothly.

Understand all the terms and conditions. Loans must be paid back. The bank will provide you with specific terms and conditions that spell out how you should make payments. You may also be given a commitment letter. It’s your responsibility to know and understand all terms and conditions, and work to meet the expectations.

**Don’t wait until the last minute to talk to your banker.** Because your banker is familiar with the loan process, you should take advantage of his or her expertise as you prepare to go through the process of applying for a loan.

*Sam Huston, Huntington Bank, may be reached at 724.741.2850 or [sam.huston@huntington.com](mailto:sam.huston@huntington.com)*

## Small Business Resources

Organizations in western and central Pennsylvania dedicated to the formation and growth of small businesses include:

### Alpha Lab/Alpha Lab Gear

*Ilana Diamond, Managing Director,  
Alpha Lab Gear*  
idiamond@alphalabgear.org  
www.alphalabgear.org

### Carnegie Mellon University Center for Innovation & Entrepreneurship

*Lenore Blum, Ph.D., Co-Director*  
412.268.8139  
lblum@cs.cmu.edu

*Dave Mawhinney, Co-Director*

412.268.6356  
dmawhin@andrew.cmu.edu  
www.cmu.edu/cie

### Center for Applied Research & Intellectual Property Development at Clarion University

*Benjamin Legum, Assistant Professor  
Center for Applied Research & Intellectual  
Property Development*  
814.393.2184  
blegum@clarion.edu  
www.clarion.edu/CARIPD

### Center for Women's Entrepreneurship at Chatham University

*Rebecca Harris, Director*  
412.365.1301  
rharris@chatham.edu  
www.chatham.edu/cwe

### Innovation Works

*Bob Starzynski, Director of Bus. Development*  
412.894.9506  
bstarzynski@innovationworks.org  
www.innovationworks.org

### U.S. Small Business Administration Small Business Development Centers

*Kelly Hunt, District Director*  
412.395.6560. x106  
kelly.hunt@sba.gov  
www.sba.gov/sbdc

### University of Pittsburgh Institute for Entrepreneurial Excellence (IEE)

*Bob Stein, Director*  
412.648.1450  
rstein@innovation.pitt.edu  
www.entrepreneur.pitt.edu



Alpha Lab Gear, Innovation Works' hardware startup accelerator, offers manufacturing assistance to computer hardware companies, including funding for a nine-month cycle. The organization recently hosted the National Hardware Cup in which seven regional winners gathered in Pittsburgh to pitch their startups and win a \$50,000 grand prize.

sessions with industry leaders, as well as with networking services in the framework of a nationally ranked accelerator program. In contrast, Alpha Lab Gear offers manufacturing assistance to hardware-based companies, including funding for a nine-month cycle.

"This approach has been validated by the fact that we're in our second nine-month cycle of funding, and all but one company in our first cycle got funding," says Ilana Diamond, managing director of Alpha Lab Gear, IW's hardware start-up accelerator which provides product startups with investment, mentorship and connections.

In early-May, Alpha Lab Gear hosted the inaugural National Hardware Cup in which regional winners of competitions in Austin, Detroit, Phoenix, Pittsburgh, San Francisco, San Jose and Washington, DC, pitched their startups to win a \$50,000 grand prize. Curb, an Austin-based developer of a device that connects sensors to a home's circuit breaker box to monitor electricity usage and reduce energy costs, won top honors. The Pittsburgh entry, Alpha Stroke, winner of the \$1,000 regional prize, developed a device that helps EMTs and paramedics identify a stroke patient so first responders can proceed directly to appropriate hospital, saving valuable treatment time and transportation costs.

Existing in parallel with IW is **Idea Foundry**, an accelerator and investment program that helps launch companies developing products or processes in the healthcare & life sciences, entertainment & education technology, social enterprise and water sectors. "We welcome established manufacturers looking to develop products in our focus areas," says Mike Matesic, Idea Foundry's president and CEO.

"We'll meet with anyone for up to two hours to see if they fit our funding criteria. Our doors are always open because it's not always clear if a company lines up with our mission of helping companies create high-wage jobs in Pennsylvania from State College westward."

Idea Foundry provides up to \$10,000 over a three-month period to determine, as Mr. Matesic puts it, "the optimum path toward commercialization," which includes legal fees, intellectual property reviews and prototyping.

By accessing the many resources available to small businesses at any stage and in any market sector, entrepreneurs can help themselves and their employees derive greater financial and emotional satisfaction from their work, as well as help to improve the quality of life in the communities where they live and do business. **WP**



## CASE STUDIES

# A Pair of Companies Used Local Resources to Expand Product Lines

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By participating in the Innovation Adoption Program (IAP) managed by Innovation Works (IW), a PA Department of Community and Economic Development initiative and the Pittsburgh region's largest investor in seed-stage companies, **FOREFRONT PRODUCT DESIGN**, a new product development company based in Keystone Commons (the former Westinghouse Plant in Turtle Creek), developed an advanced compressed air sprayer with a rechargeable, automated

pumping system for use in pest control, landscaping, biohazard and other commercial applications to save time, chemicals and labor.

"In addition to providing us with funding we combined with our own capital to develop Green Gorilla, IW and Catalyst Connection did an outstanding job of helping us find partners to help us design, manufacture and market the product," says Mark Verosky, ForeFront's CEO. "With their help, our revenue for one quarter of 2015 exceeded our revenue for all of 2014."



A seminar sponsored by PNC Bank led **ALPINE PACKAGING**, a family-owned, North Versailles-based manufacturer of custom labels for commercial, industrial and retail applications, to work with IW in meeting a customer's request for a smart label for use by distributors and retailers in the automotive parts, medical products and food sectors. The new

technology should be operational by mid-2016.

"IW's planning and implementation expertise, and ability to match us with an expert who knew what our largest customer needed and how we could provide it means we can hire three people and realize significant



revenue growth," says Jill Grunst, who co-owns Alpine Packaging with her sister, Jan Lehigh. "To hire someone with the knowledge needed for this project wouldn't have been feasible. I look forward to our company generating enough revenue to 'repay' IW so the organization can provide another small manufacturer with the means to take advantage of market opportunities and grow."

**COVER STORY**



**Meet the 2015 SBA**

**PITTSBURGH DISTRICT**

**AWARD  
WINNERS**

**BY GINA MAZZA**





*The U.S. Small Business Administration's Pittsburgh District Office recently honored several area entrepreneurs for their contributions to the region's economy. Each of the winners started their businesses following careers or academic studies in other fields, and each of them have used their knowledge and experiences to help their businesses grow successfully.*



**Dr. Jash Sharma, Exporter of the Year, established CIMA Technology 26 years ago. The company designs, manufactures and distributes innovative ophthalmic products for customers overseas. In fact, 100% of the company's products are exported.**



*Western Pennsylvania Exporter of the Year Award Winner Dr. Jash Sharma, CIMA Technology, Inc. (accompanied by Dan Mattson, Vice President, and Carina Navarro, Business Manager)*

## Exporting Clear Vision

When Dan Mattson and Carina Navarro of CIMA Technology, Inc. — vice president and administrative manager, respectively — first heard that their company's founder, Dr. Jash Sharma, had won SBA Regional Exporter of the Year for 2015, it seemed only natural to them that he was being honored. "We actually were surprised that he hadn't already received this recognition in the past

because we're an export-only company and we've been doing this for 25 years," Mr. Mattson says.

Founded in 1989 with its world headquarters and manufacturing facility in Pittsburgh, CIMA Technology exclusively designs, manufactures and distributes innovative ophthalmic products for the

international market. Its product line includes intraocular lenses, visco-surgical devices and ophthalmic solutions for patients with cataracts and retinal diseases.

While all of the manufacturing is done in Pittsburgh, the company's mission is to utilize their worldwide partnerships with ophthalmologists. "We are pretty well known in the industry but in Pittsburgh, we're still under the radar," Mr. Mattson comments. CIMA's competition is larger U.S.-based manufacturers of similar products who are in the export market — Alcon in Fort Worth, Texas, for example. "International markets are craving for US-made products because they know the quality is there," says Ms. Navarro, who has been with CIMA since the beginning.

In addition to running CIMA, Dr. Sharma has had a long-term career as a practicing nephrologist and is now semi-retired from his medical practice. In the mid-1980s, prior to starting CIMA, Dr. Sharma took expertise gained in the US and built a factory in India, as he saw a market niche with countries that were seeking more affordable intraocular lenses. "Initially, we were only a marketing branch for that factory until we decided in the 1990s that we needed a facility here so we could have more control over operations," Ms. Navarro points out.

As Mr. Mattson explains it, the industry can be divided into three tiers: 1) High-end, premium quality high-cost lenses; 2) Low-end market of lesser quality, inexpensive lenses; and 3) Middle market lenses for consumers who can't afford to pay top dollar but still want high quality lenses. "Our main benefit is providing a high quality product but since our overhead is much

*Continued on next page >*

## "We are focusing on streamlining our business with new machinery, new processing techniques, and hiring more people"

**Dan Mattson**

Vice President, CIMA Technology



lower, we can sell the lenses more affordably. We use the same raw materials and same machines as the high-end varieties."

So, how did a kidney doctor from India decide to start an ophthalmic products company? Dr. Sharma's inspiration was close to home. "He happened to bump into ophthalmology because of his family's history of glaucoma — including his father, who was blind," Ms. Navarro explains. To this day, Dr. Sharma owns an eye hospital in the rural town of Haryana, India, about three hours outside of Delhi. "It's the only eye hospital within 200 miles of anything. Many of the patients are farmers."

CIMA Technology now sells into Bangladesh and other remote villages where many people have cataracts so severe that they have lost their vision. "It's not like here in the U.S. where we get regular eye exams and as soon as they detect some change, they recommend getting cataract surgery," Ms. Navarro explains. "In these rural villages, they don't have regular eye care and they wait too long; but it's operable blindness, so once the cataract is removed and in a few hours the lens is put in, and the person has sight again. This is life changing. We're talking about people who were farmers and couldn't farm anymore and therefore couldn't support their families, then were able to get their sight back."

CIMA's future consists of working on the next generation of high tech materials and meeting higher demand as the aging population continues to increase worldwide. "We are focusing on streamlining our business with new machinery, new processing techniques, and hiring more people," Mr. Mattson says, adding that the company currently employs 22 people.

Winning the SBA award carries with it the gravitas that CIMA Technology has been recognized in its own country for the work it does. "In addition to our ISO certification — we get audited by the FDA because we are selling a medical device — the SBA award is another feather in our cap to promote us in the international market and differentiate us from the other players out there," Mr. Mattson says. "That middle tier that we compete in is rather large and sometimes it just comes down to one more thing that shows that we've gone the extra mile."

### one-on-one portfolio reviews

Regularly scheduled, face-to-face meetings with your Financial Professional are a great way to review and understand your investments in the context of your personal goals and objectives.

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After careers in the recording industry and as an engineer, Sidney Jake Huffmyer followed in the footsteps of his father and grandfather and started his own business. Specifically, this Young Entrepreneur of the Year, launched 3E Studios to do screen printing on tee shirts for a wide range of local and national clients.



*Western Pennsylvania Young Entrepreneur of the Year Award Winner,  
Sidney Jake Huffmyer, 3E Studios*

## Continuing a Family Tradition

Out of the sadness of losing a parent came something wonderful for Sidney Jake Huffmyer. At his father's funeral, he happened to reconnect with a cousin from his grandmother's side, Dave Michael Burns. Not long after, the two men joined forces to create a company that, among other achievements, is serving to carry on the legacy of Jake's father and grandfather.

"Both my father and grandfather were entrepreneurs," he explains. "Growing up, we owned many small businesses. My grandfather ran the bus network for a local school district and was a steel hauler. He also built houses for people and by taking scraps from these houses, he'd build his own rental

properties — 17 in total. My dad followed in his footsteps. That's what my childhood was like, and they both encouraged me to make my own way."

Mr. Huffmyer, now 30, did just that at quite an early age. By 16, he was signed to a small record label in State College and began performing his original heavy metal/instrumental music at venues around the country. The record label routinely produced merchandise for its bands. So one day, Huffmyer walked into a screen printing shop to pick up his allotted order of tee-shirts. "I thought what they did there was neat because it had both a business and creative side to it."

In 2005, Mr. Huffmyer moved to Florida to attend Full Sail University, eventually earning an associate's degree in audio engineering/recording arts. "I had been in a band for about five years at that point. We had gotten free from the record label and were recording our own music, but subliminally, in the back of my mind, I was thinking about that screen printing business concept."

Mr. Huffmyer made his way back to Pittsburgh and found work at recording studios but then decided to get a bachelor's degree in electrical engineering at the University of Pittsburgh. He graduated in 2010.

"In between Full Sail, graduating from Pitt and working as an engineer, my father had passed, and Dave and I met up at my dad's funeral. He told me that he had come across some screen printing equipment." Dave had a graphic design degree from the Art Institute in Pittsburgh.

"Coincidentally, all the stars seemed to align. Circumstances put things into place in a certain way and we decided to start this company in 2007." Mr. Huffmyer simultaneously held down an engineering position and ran 3E Studios until about two years ago, when he was finally able to leave his job and run the company full time. Dave is still his business partner to this day.

With a total of six employees, 3E Studios' home is on the North Side, near the West End Bridge. The company's local clients include the Pittsburgh Pirates, Pittsburgh Penguins, Penn Brewery and the Pittsburgh Marathon. They also handle all tour merchandising for the popular band Rusted Root. The owners are transitioning the company's portfolio in the direction of aligning with ad agencies and other contract printers. "We are also very involved in the local community and a big part of the chambers of commerce in the North Hills and on the North Side," Mr. Huffmyer says.

The name 3E Studios harkens back to the days when Dave was a graphic design student and had done a project in which he created a logo for a clothing line. That

*Continued on next page >*

## COVER STORY



*“In between Full Sail, graduation from Pitt and working as an engineer, my father had passed, and Dave and I met up at my dad's funeral.”*

**Jake Huffmyer**  
3E Studios

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morphed into the name Third Eye Studios and then 3E Studios.

In 2008, while attending the University of Pittsburgh, Mr. Huffmyer reached out to the Small Business Development Center (SBDC) office there to help get his business off the ground. “They helped us secure our first loan and worked with us on our marketing plan.” It was Catherine Tyson at the SBDC who approached 3E Studios about the SBA Awards and nominated Mr. Huffmyer for Young Entrepreneur of the Year.

“I was honestly surprised and very humbled by it,” Mr. Huffmyer says about learning that 3E Studios had won the SBA award. Always thinking of how they can

help support the local business network, the company decided to couple their recent SBA Award ceremony with an open house at their shop and a North Side Chamber of Commerce event.

Looking forward, now that they finally have their footing with the automation side of the business, the cousins’ vision is to turn 3E Studios into a fulfillment company that “uses engineering technology with creative printing, thereby giving people an easy solution for screen printing.”

To this day, Mr. Huffmyer says that he is still using his engineering knowledge and is thrilled to be in a career that also allows him to tap his creative juices. “It’s been a parallel path for me with engineering and entrepreneurship,” he concludes. “My engineering career, which was not under my own direction, allowed me to pay for school and put money away for the business. With the screen printing company, which IS under my own direction, I’m able to be creative and inspired and do my own thing.”





Following careers in retail food management, Jim and Colleen Small own and operate UPS Stores in Altoona and State College. These Small Businesspersons of the Year used Penn State University's Small Business Development Center and an SBA loan to start their business.



*Western Pennsylvania Small Business Person of the Year Award Winners  
Jim & Colleen Small, The UPS Store (State College & Altoona)*

## The Total Package

Husband and wife Jim and Colleen Small both had careers in the retail food business — Jim for 40 years and Colleen for 30. When they were getting ready to retire, they decided that they had, as Mr. Small puts it, “had enough of the food business but were too young to retire.”

“We always wanted to be in business for ourselves, so we started looking around at our options,” says Mr. Small. While the couple had relocated a lot over the decades, they preferred to move back closer to family in Altoona, where Jim was born and raised, and State College, where Colleen grew up.

“We were living in Syracuse, New York at the time and had gotten to know the owners of the UPS Store there,” Mr. Small recalls. “We did our research and in the fall of 2005, we applied for a UPS Store franchise that was available back in State College. We liked that it was a successful business model that had already been established.”

Utilizing some investments, the Smalls purchased the franchise with help from an SBA loan to cover necessary fixtures and supplies. They opened their doors in January of 2006, offering everything from packing and shipping valuables, creating canvas paintings from photographs, and

even creating 3D-printed model trains for a hobbyist turned entrepreneur.

Soon after launching the business, the Smalls found themselves back in school at The Pennsylvania State University Small Business Development Center (SBDC) taking every class they could. “It’s really a great resource on everything from how to run your business, sales and marketing, growing your business via technology, and how to offer superb customer service,” Mr. Small says. “It’s all free and the people there really, really do care about your success.”

Just because the franchise offered a solid business model didn’t mean that making the store a success was easy. “We almost failed about three years after we opened,” Mr. Small comments, “but we decided to give it another shot, put more money in and push the brand.”

The thrust of that effort was finding and refining their customer service niche through outreach and becoming a sought-after community asset for other small businesses. Ms. Small tasked herself as the store’s main marketer, attending networking events at the Chamber of Business and Industry of Centre County. “I knew many businesses grow through word-of-mouth advertising, but when I went to my first few meetings, I immediately would go to a corner because I thought everyone was staring at me,” she recalls. Then she befriended the chamber staff, increased her community involvement, honed her skills and now serves as an ambassador to new members — even winning a Chamber award for her efforts.

“We have a saying: ‘You need to be working on your business, not in it,’” Jim says. “You can’t just open your doors and hope people will come in. To be successful, you have to constantly be out in the community. We belong to the chambers of commerce and SCORE, and professional groups like BNI, and Colleen served as a solicitor for the United Way. After we started to become successful, we got involved with the SBDC on the campus

*Continued on next page >*

## COVER STORY

of Penn State, For the last five years, we've been going up and talking to students in the entrepreneurship classes about the importance of building relationships in the community.

To be able to spend time doing this, "you need to have people in your store helping to run the business," Mr. Small says. "We realized that we needed help, so we hired an employee or two. We trained them well to take care of our customers the way we would take care of them."

The Smalls now have 12 employees between the State College store and the second UPS Store that they opened last September in Altoona — the first UPS Store ever in that market.

One of the main ingredients in their success is not being afraid to try new things, even if it costs money in the beginning. "Everybody knows we ship packages but if we just shipped packages, we wouldn't survive," Mr. Small acknowledges. "But knowing how hard it is to be in business, we wanted to help our counterparts. So the next biggest thing we did was get into printing — wide format, digital, electronic cutters, and even 3D printing. Small businesses may not be able to afford a marketing firm, but they can afford us. We are more than willing to print small quantities of brochures and business cards, allowing our clientele to order on an as-needed basis so they can advertise and grow their business."

Market demand led the Smalls to invest both time and money into purchasing and learning about 3D printing; their site was selected as one of only 60 UPS Stores in the country that produce on-demand 3D prototypes for entrepreneurs hoping to enter the business arena. "It's a slow build but Penn State is huge into adaptive manufacturing and kids over there can't get onto the 3D printers on campus, so we offer that and they can come here," says Mr. Small.

The Smalls were nominated for the SBA award when they were in the thick of opening their store in Altoona. "We rushed to get the nomination in and we never thought we'd win, partly because we're located 100 miles from Pittsburgh,"

Mr. Small comments. "When we found out that we had won, we were just ecstatic. We couldn't believe it!"

The Smalls continue to make small businesses their main customers. "We love to get ahold of ones that are just starting out," Mr. Small says. "We want to be the 'small business for small businesses.'"

WP



*"We did our research and...liked that it was a successful business model that had already been established."*

**Jim Small**  
Owner, UPS Store

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## INSURANCE

# USING A PRIVATE EXCHANGE TO SUPPORT YOUR Human Capital Goals

by ROB HARKINS

Companies can not sustain the increasing cost of health care in the long term, much less the administrative burden of health care reform legislation.

According to the *2014 National Business Group on Health Employer Survey on Purchasing Value in Health Care*, 95 percent of employers remain committed to offering health care programs to full-time employees in 2015 or after, and the same percentage say that subsidized health care is an important part of their value proposition.

A private exchange model may reduce their health spend and administrative burdens while ensuring they are compliant with the law. More than half of surveyed employers agree that if an industry peer moved to a private exchange, they would be more likely to do the same.

In general, most employers move to a private exchange model to accomplish the following goals:

- Manage Costs While Offering Competitive Benefits
- Encourage Employee Engagement Through Decision Support Tools and Choice
- Effectively Communicate with Employees
- Streamline Administration
- Offer Expanded Eligibility

## Cost Savings

Private exchanges promote cost stability by facilitating a shift to a defined contribution through a fixed dollar benefit. The employer defines the dollar amount provided to the employee and, therefore, has more control over how much it spends on health care benefits.

Note that while employees may assume more financial risk under this model, they gain more control over how they spend their benefit dollars.

When individuals are given an allowance to spend on benefits, along with a choice of plan options and guidance on benefit selection, they tend to become smart consumers. They purchase the level and amount of benefits they need and tend to buy down medical coverage while supplementing their benefits with voluntary products. In our experience, these customized benefit packages have saved our clients an average of \$700 per employee per year.

## Enhanced Employee Engagement and Communications

According to *Liazon's 2014 Employer and Employee Survey*, 79 percent of employees are satisfied with the shopping and enrollment experience on a private exchange, while 74 percent are more aware of their employer's contribution to their benefits. Only two percent of employees preferred letting their employer choose their benefits for them.

Capabilities considered somewhat or very important to employers include:

- Employee Communication Support
- Flexible Employee Contributions
- Health Education Tools and Information
- High performing Networks with Call Centers or Instant Chats

- Variety of Plan Options and Designs with Broad Network Access.

## Streamlined Administration

Administrative services provided by the private exchange are critical, as employers reduce human resources administrative functions to invest in core business services. According to a 2014 Private Exchange Evaluation Collaborative (PEEC) survey, 68 percent of employees want assistance with administration and claim advocacy, while 65 percent need help with data and reporting.

## Expanded Eligibility

Private exchanges can be set up to offer insurance coverage for all employee segments, from part-time and seasonal workers to contractors and early retirees (through individual plans and navigation assistance with the Federal marketplace). That fact may explain why companies in a wide range of business sectors, including technology, manufacturing and retail, are interested in setting up their own exchanges.

Feedback from early adopters shows that a private exchange can add dimension and direction to an organization's human capital strategy. With so much at stake for employers and employees alike, it's worth investigating your options. **WP**

## ABOUT THE AUTHOR

Rob Harkins is vice president of private exchanges of Willis Group's Human Capital Practice. He has more than 30 years of experience across many health benefit disciplines, including provider relations, contracting and medical management.





FINANCIAL

# IMPATIENTLY WAITING FOR PATIENT CAPITAL

by MARILYN D. LANDIS  
President/CEO and Founder of Basic  
Business Concepts, Inc.

An existing company can promise to repay a bank loan — first payment in 30 days — based on existing cash flow and an experienced calculation predicting when and how much the return will be on their expansion investment. An innovative upstart cannot. In fact, most innovators wait months — years if FDA approval is required — to source intellectual property protection and regulatory approval before they can take their products to market. Then, they operate at a loss for additional months or years until sales exceed expenses and their cash flow turns positive. Only patient capital will wait this long to see a return.

Who are these patient capital providers? They are friends, family, angels, venture capitalists and equity funds — in that order of patience. Friends and family are the first in and provide critical early, early stage funding. But what if your friends and family aren't wealthy? Social media has redefined "friends and family." We now share personal details via Facebook and Instagram. We collaborate with colleagues via LinkedIn, chat rooms and group discussions. In fact, social media dramatically broadens our friends and family circle of like-minded individuals. So what if your "friends" — the ones that are geographically close enough to meet with and pitch your innovative idea to — don't have money to invest? Why not post your investment opportunity online to your broader group of like-minded contacts and solicit their funds? Because legally you can't.

Using the internet to reach out and find funding is generically referred to as crowd

funding. Kickstarter and other successful crowd funding sites can only offer gifts (dinner with the founder, or one of the first runs of the product) which works well if you have an innovative retail product. But truly patient investors want a piece of your company if they are to wait, and wait, for their return on investment.

As other forms of crowdfunding

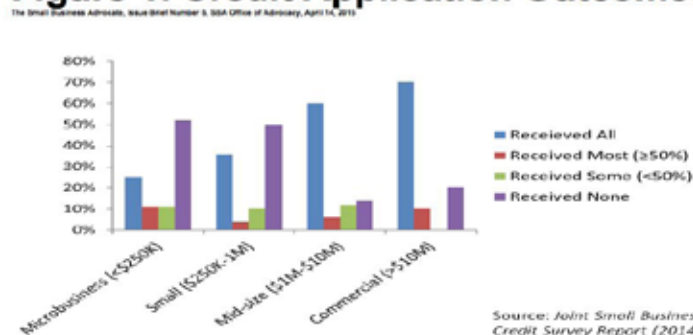
emerge, equity-based crowd-funding remains untapped. It was established under Title III of the Jumpstart Our Business Startups (JOBS) Act (2012). The law required the U.S. Securities and Exchange Commission (SEC) to write the rules for expanding the ability for entrepreneurs to sell equity to prospective investors online. Until the SEC issues the final rule, equity-based crowdfunding for the vast majority of Americans remains off-limits for capital raises up to \$1 million. Why hasn't the SEC issued these rules? I

have gained some insights by testifying on SEC issues before the National Regulatory Fair Board in June 2014, joining in small capitalization discussion groups at the Heritage Foundation, participating in the SEC's public comment forum in November of 2014, and directly from my clients who seek equity investors.

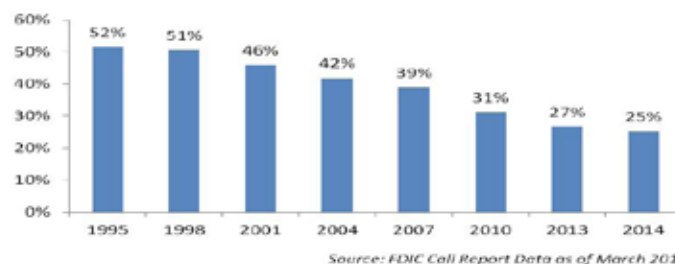
The need to expand options for patient investors is well documented. By looking at these current examples, the report concludes that equity-based crowdfunding could create an efficient alternative funding source for small businesses and microbusinesses which are unable to attain their desired level of credit in an environment where the amount of small business loans being made available is shrinking. Further, census data clearly show pockets of wealth are not evenly distributed — thus some geographic areas are investor deserts.

*Continued on next page >*

**Figure 1. Credit Application Outcomes**



**Figure 2. Small Loan Share of Nonfarm, Nonresidential Commercial Loans by Loan Balances (\$ Millions)**



## FINANCIAL (CONTINUED)

The opposite force is the SEC's founding mission in 1933 — protect the investor. The November discussion at the SEC made it clear the commissioners feel the threat of fraudulent offers and potential loss is greater when solicitation is made via the internet instead of in person. The rules the SEC has proposed for equity crowdfunding have been vigorously opposed by the innovation community and their advocates because they place a higher level of scrutiny on equity crowdfunding. For example, non-internet friends and family can self-certify that they meet the SEC requirements for a "certified investor," but online investors must have a third party (CPA or equivalent) verify their status. A non-online capital raiser can provide potential investors with internally prepared financial statements — online pitches must

use audited statements. A non-internet company investment does not have to publish a list of its investors, but an online capital raise must list all investors by name on its website. Even the amount an individual can invest online is limited by a formula based on frequency of investment

and investors' income. Whereas, absent equity crowdfunding, investors are free to determine their own maximum investment.

Unfortunately, in their zeal to protect investors from themselves, the SEC has shielded small innovators from an alternative method of raising small amounts of capital. If the current SEC proposed rules are promulgated, they will add cost and a heavy regulatory burden to what had been hailed in 2012 as a capital access solution. Currently, innovators use SEC Regulation D to raise private capital rather than go public. Meeting all the legal and regulatory requirements for Reg D can cost a small company \$20,000 or more. Reg A — another part of the SEC code available for small, private capital raise — requires filing not only with the SEC but with every state's securities regulator where an investor resides.

Until, and unless, the SEC writes regulations implementing Title III of the JOBS Act that balance the need to protect investors with the need for innovators to raise capital, Title III will remain an unfulfilled promise. This is why innovative entrepreneurs are impatiently waiting for better access to patient capital. **WP**

## ABOUT THE AUTHOR

Marilyn D. Landis is the President & CEO of Basic Business Concepts, Inc., a multifaceted service firm providing the support to keep businesses financially balanced, on-track and growing.

## The Innovation Process



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GOVERNMENT RELATIONS

# The Invisible SMC MEMBERSHIP BENEFIT

*Government Advocacy to Improve the Business Climate*

by EILEEN ANDERSON  
Director, Government Relations

One of your most important membership benefits is representation to government. It's an invisible benefit because advocacy efforts do not directly correlate to your bottom line. For business people accustomed to profit and loss statements and balance sheets it is not easy to measure the value of SMC's legislative successes which often take years to accomplish. Government advocacy is not tangible like SMC benefits such as leads from networking events, the popular complimentary HR Check-Up, or enrollment in an insurance program.

You and your small business are a very critical part of the U.S. and Pennsylvania economy. That's why you need representation to government in Harrisburg and Washington, D.C. Elected officials require education about important small businesses issues and you and your employees require opportunities to connect with elected officials to explain those issues. SMC is the conduit through which small businesses and elected officials work together to improve the business climate. Small businesses ARE important! (See sidebar on this page.)

In a recent district office meeting, a member of the PA House of Representatives said, "All I hear about in the Capitol is big business. I don't hear enough from small businesses."

SMC's goal is to fill that void. We have taken action on our top state priorities, pension reform and ensuring fair treatment of those pass-through businesses who file at the Personal Income Tax (PIT) rate. The issues were prioritized by the SMC Board of Directors from an agenda assembled after a series of meetings held by the Government Relations committee. Here are the action steps used to work on those issues:

- Lobbied elected officials through visits to the district offices of PA Senators and Representatives.
- Lobbied elected officials through meetings and phone calls in Harrisburg.
- Educated members on pension reform through a panel presentation on April 6th with three key players on the issue from the PA House of Representatives.
- Educated members on pension reform and the proposed 20 percent increase in the PIT rate in Governor Wolf's 2015-16 Budget through articles in the *SMC Government News* and *Working PA* magazine.
- Created opportunities for members to speak directly with elected officials. On Monday, May 4, 25 SMC members, guests and staff traveled to Harrisburg for a day of grassroots lobbying on the Hill. SMC's five teams had meetings with lawmakers and staff of 24 offices to discuss the need for pension reform and the impact of a PIT increase on small businesses. The teams also made "drop-in" visits to an additional 40 offices. The tools used to educate lawmakers were the 2015 State Position Papers ([smc.org/content/politically-speaking](http://smc.org/content/politically-speaking)) and an "Analysis of the Wages and Benefits for Private Sector and Public Sector Employees."



- PA ranks **6th out of 50 states** in the highest number of small businesses.
- There are **more than 999,950 small businesses in PA**, including those with no employees.
- There are more than **225,382 small businesses with 1-499 employees** in PA.
- Of those businesses, 87% or **196,989, have LESS than 20 employees.**
- In 2012 **small businesses created 72,264 jobs** in PA. The biggest gains were in firms with 1-4 employees who created 54% or 39,131 of those jobs.
- PA ranks **5th out of 50 states in small business employment.**
- In 2012 **small businesses employed 2,445,023 million** employees who make up nearly 50% of PA's private-sector labor force.
- **Small businesses represent 98.2%** of all employers in PA

*Source: 2015 profiles published by the U.S. Small Business Administration Office of Advocacy*



# Supplying What the **BIG BOX** Retailers Can't

by KATHY SERENKO

## *C&L TOOL SUPPLY INC.*

C&L Tool Supply is one of those businesses that was built from the ground up, literally. With an inventory of discontinued Ingersoll Rand tools and a Moon Township two-car garage, co-founders Jerry Lingenfelter and Mark Cooper opened their doors for business in 1989. It didn't take long for the company to outgrow that 2-car garage. Within the year, C&L Tool Supply operated a storefront, as well as a flourishing wholesale business that continues to sell products from all longstanding tool manufacturers to clients customers across every industry many industries.

In the natural course of business, as national "big box" retailers like Home Depot, Lowe's and Walmart moved into the tool supply space, independents like C&L Tool Supply began to feel the pinch. With less fewer dollars to market their products and services, these smaller Pittsburgh-area based companies have faced what seems to be an uphill battle. Mark Cooper, who has maintained sole ownership of the Coraopolis-based company since 2002, is very frank about the challenges that threaten the future of industrial suppliers like C&L Tool Supply.

Mr. Cooper's concern epitomizes the vision and purpose of Buy Pittsburgh First, as well as the overarching mission of SMC Business Councils.

Buy Pittsburgh First encourages regional companies to examine their buying habits, and whenever possible, to support local supply and service companies.

Fact: For every \$100 spent with a company headquartered in Pennsylvania, \$68 of that money is recycled back into the region. That's 1.5 times more than the cash flow generated when Pennsylvania companies take their business outside out-of- the state.

### **What the Big Retailers Can't Do**

Like so many other Pittsburgh-based businesses, C&L Tool Supply's success lies not in its extensive business footprint, but in its commitment to service, relationships

and expertise. One of the company's key differentiators is its ability to deliver products and expertise knowledge well beyond that of much larger competitors.

For example, the company has preserved tool schematics that create a unique resource. By identifying original or comparable replacement parts, C&L Tool Supply can often save businesses the cost of purchasing new equipment. "Our guys are troubleshooters," says Mr. Cooper. "They can understand the customer's need, and find a way to fill it." Sometimes, he explains, that solution requires research and the knowledge gained only by years of experience.

In a culture of disposable everything, C&L Tool Supply maintains another unique competitive edge. The company's in-house repair department helps customers keep expenses under control and tools — primarily pneumatic tools — in operation. Free estimates, along with skilled reconditioning and repair, keeps customers coming back for more. C&L Tool serves a number of com-

panies in the construction, manufacturing, automotive and oil and gas industries who have equipment repaired to reduce expenses.

To reach its expanding market share, the company created a comprehensive online search engine, as well as a print catalogue now distributed to thousands of regional, national and international customers.

C&L Tool Supply also assigns a dedicated salesperson to businesses to help serve each account, which helps to meet customers' evolving needs. Mr. Cooper notes the importance of that consistency and relationships, "People like to know who they're dealing with, and they want to know it's someone who understands their business needs." **WP**

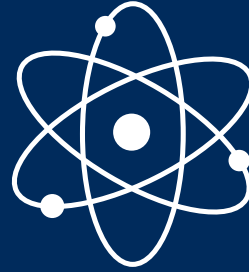




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# YOU CAN HELP PITTSBURGH BY JOINING ANOTHER FIRST...

Buy Pittsburgh First exists to bring awareness to local industrial companies in western PA. We are a grass roots movement that encourages companies to examine their buying habits and support local supply and service companies. Local companies make the difference in how our economy works & grows. Become involved with Buy Pittsburgh First and help us make purchasing agents more aware of the regional resources that exist as viable options to out-of-state and international competitors.

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# FIVE GENERATIONS STRONG

by KATHY SERENKO



"From Generation to Generation - We Deliver."

The best of both worlds. That's how Phil Sonnenklar, CEO, Iron City Workplace

Services, describes business as a fifth generation company. "We live by the same family values that have guided our business for nearly 90 years," he notes, "but we've never become stagnant."

Part of the company's success has been its willingness to invest in technology and adapt to changing market needs. "We began as a uniform rental service," says Mr. Sonnenklar, "but now we're now so much more."

A major contributor to the company's forward-looking vision has been Zach Sonnenklar, Phil's son and the fifth generation of family leadership. His five-year presence has created an ideal transition that carries on the Sonnenklars' dedication to family values, while injecting new ideas that are keeping the company vibrant and progressive.

The company's rebranding campaign tells a story of transformation. Four years ago, the Sonnenklars led their marketing team in a campaign that moved the company from Iron City Uniforms to the much more appropriate Iron City Workplace

Services. In addition to full-service uniform rental, Iron City provides complementary services – rental, embroidery, inventory, cleaning and delivery of mats and kitchen apparel, along with the inventory and delivery of restroom and industrial cleaning supplies, and power washing equipment.

## Outside-the-Box Actions

Iron City Workplace's document management service has expanded its client base into the professional services sector. Mobile offsite shredding ensures affordable and secure document destruction, and a public dropoff has created opportunities for community involvement. Iron City's document management program also includes high speed document scanning, which allows companies to free up space by turning unmanageable paper files into organized and searchable electronic documents.

Iron City Workplace Services has no plans to slow its forward-looking business vision. Already in the works are a number of initiatives that will continue to meet the diverse needs of a growing client base. One more thing will never change, according to both Phil and Zach Sonnenklar, and that is family values. **WP**



Phil Sonnenklar and his son, Zach, are the third and fourth generations of leadership, respectively, at Iron City Workplace Services.



Iron City Workplace Services began as Iron City Uniforms, a uniform rental company.



A worker checks inventory at Iron City Workplace Services' facilities in Pittsburgh's East End.



## Advocacy Calendar

### Annual Legislative Reception Thursday, September 24, 2015

The Rivers Club, Downtown Pittsburgh

This long standing tradition provides you with an excellent opportunity to meet elected officials in south western PA and build relationships in a social setting. Watch for more details

### Hearing with the National Ombudsman, Small Business Office of Advocacy Thursday, October 8, 2015

SMC Offices, Cranberry Township, PA

Brian Castro, the U.S. Small Business Administration's National Ombudsman and Assistant Administrator for Regulatory Enforcement Fairness, returns to SMC after a very successful roundtable in May of last year. This session is the next step in formally identifying regulatory issues that affect employers so Mr. Castro and his staff in Washington can seek solutions for small employers. Watch for more details.

## Upcoming Events

### Business Health Breakfast Series: Creating a Successful Employee Wellness Program July 14, 2015

### Business Opportunities in Chile - IMPACT PROJECT Briefing July 15, 2015

### SMC Night at the Ballpark with the Harrisburg Senators July 23, 2015

### SMC Summer Party in the Lot Aug 6, 2015

### 2015 SMC Business Councils Golf Outing Series Seven Oaks Country Club August 25, 2015

### SMC Annual Legislative Reception September 24, 2015

### SMC Open House October 7, 2015

### 2015 SMC Central Region Holiday Party November 19, 2015

## SMC Welcomes these NEW MEMBERS

(as of June 12, 2015)

**Advos Information Technologies, Inc**  
[www.advos-it.com](http://www.advos-it.com)

**Bulldog Office Products**  
[www.bulldogop.com](http://www.bulldogop.com)

**Dick Wolfe's Garage**  
[www.dickwolfesgarage.com](http://www.dickwolfesgarage.com)

**Economy Tooling Corp of PA**

**Employee Screening Services/eCoachPro**  
[www.essusa.com](http://www.essusa.com)

**Frank's Snacks Distribution**

**Harry Edelman Associates**  
[www.edelmanharry.com](http://www.edelmanharry.com)

**Illustrata**  
[www.illustratabrands.com](http://www.illustratabrands.com)

**Model Uniforms**  
[www.modeluniforms.com](http://www.modeluniforms.com)

**Netech**  
[www.netechcorp.com](http://www.netechcorp.com)

**Northeast Financial Group**  
[www.wwwpcnsinc.com](http://www.wwwpcnsinc.com)

**Quality & Reliability Solutions, LLC**  
[www.qualityreliabilitysolutions.com](http://www.qualityreliabilitysolutions.com)

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# The Obstacles of GROWING A COMPANY

by JACK ROSEMAN  
Director, Roseman Institute



Companies (like people) go through various passages. Members of SMC are not usually in the start-up phase where funding, determining a niche, partners/associates, differentiation, etc. are of particular

importance. Those were yesterdays' hurdles. But, make no mistake. Each passage has a consequence that could mean life or death for the company.

But now, thankfully, the entity is growing and there are other obstacles that must be met.

First of all is recognizing the difference between leadership and management. We manage things; people do not enjoy being managed. What organizations need are leaders. Leadership is the ability to have others reach a goal that they would not otherwise reach. Leadership is to bring out potential in people; potential that they, themselves, don't realize they have.

Secondly, there must be strategic plans to sustain growth. The importance of sustaining growth is vital. As Jack Welsh, ex-CEO of GE said, "An organization has to grow; otherwise it will die." Mr. Welsh's objective was to have each division of GE be #1 or at least #2 in the geographic areas in which they operated.

And thirdly, it is important that you hone your mission statements. For example: define the mission of the fire department. Frequently, the answer is to put out fires. WRONG! It is to minimize loss of people and property due to fire. The latter really explains where the fire department should designate its resources; primarily in fire prevention, as well as in training firefighters to distinguish fires, and in purchasing the latest fire engines.

Now that the initial start-up company has begun to grow, you have these other critical transitions. The Growth Venture requires more inventory, equipment, people, money, etc. All these transitions tax the service department, the market and sales department, accounting, etc.

As business increases, more is required from Service, Accounting and the other departments. The people in Service and Accounting know the workload has increased a great deal. That is good for the company, but not for them; at least for a while. They work harder and harder and more hours, but receive no increase in compensation.

And as business grows, the company needs more inventory, more equipment, more space and more people. All this requires capital. So here we go again, needing a business plan to use for fundraising. And, of course, we know how time consuming that can be.

And, with the increase in business, we need financial, marketing and strategic plans.

While we are doing all this, we need to hire more people, another very time

consuming event. Without the right funding and the right people, the company will definitely go belly-up.

In addition to all of the above, the CEO needs an inner compass to distinguish between brushfires and real fires. The CEO has no time to waste putting out brush fires. Let them BURN!

Successful leaders must think conceptually and strategically.

Conceptually, leaders must look at the company from 20,000 feet above. Don't get lost on minutiae, and realize what kind of fire you are putting out.

Strategically, leaders are looking at what is in the best interest of the company in the long run? Which roads should the leaders go down and which should they ignore?

There is much more to be said about these concepts and many more issues to be addressed. Let's leave that for a future column. **WP**

## ABOUT THE AUTHOR

Jack Roseman is Director of the Roseman Institute. He was a chaired Professor of Entrepreneurship at Carnegie Mellon University, founder of three companies and was president of On-Line Systems, an American Stock Exchange company eventually sold to Sprint. He has also been a columnist for the *Pittsburgh Post-Gazette* and is co-author of *Outrageous Optimism: Wisdom for the Entrepreneurial Journey*. He may be reached at 412.369.5306 or [rosemanjj@rosemaninstitute.com](mailto:rosemanjj@rosemaninstitute.com)





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