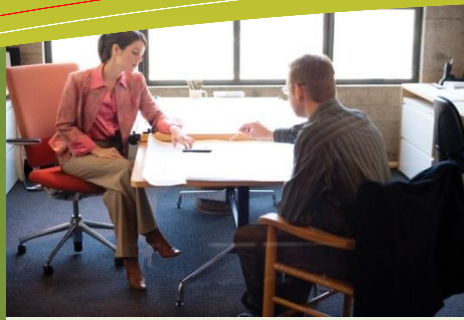
QUARTERLY PUBLICATION OF BUSINESS MANAGEMENT

TRU-BUSINESS

First Quarter 2014



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- Non Profits
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SUBSCRIPTION CONSULTATION SERVICES PROVIDED

- Evaluation of completed business model
- Identify areas of opportunity based on the market
- Consultation via teleconference
- Practical workshops
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EDITORS MESSAGE

This is the first installment of **Tru-Point Synergy's** Quarterly Publication for Business Management. The intent of this publication is to furnish different prospective on topics that are complex, important and critical to business performance. The topics are presented through a series of articles. These articles are written by the professionals at **Tru-Point Synergy**. Your feedback and engagement with our professionals are always welcome.

Articles this issue

TRENDING

Tru-Point Synergy is celebrating its 1st Year Anniversary (March 2013 – March 2014). Call us to learn more about the exciting things we are doing.

UPCOMING EVENTS

- Tru-Point Synergy Business Management Workshop
  Date TBD

DID YOU KNOW?
The professionals at Tru-Point Synergy are actively involved in the community serving as mentors and advisors to new and small business. Let us know how we can help.

Heathcare Stocks. A haven in the Storm?

by C. Oti, MD FACP MBA.

Preamble

The economy has shown signs of steady recovery, but not in a very dramatic way. Investors are rightly cautious, fearing a return to instability and a fragile market, testing the proverbial waters with just a figurative fiscal toe, to gauge the financial temperature so to speak, before committing hard-earned funds. In such times, it certainly, is reassuring to know that some stocks have managed to hold their value, and it appears that healthcare stocks belong to this category.

Let us take a look at the performance in 2013, which might provide an insight into the ability of these stocks to weather future storms. The sector was second-best performer in 2013, rallying 38.7%, and early into 2014 it climbed into the number one spot with a 1.7% gain, according to the article "***Investors Stick With Health Care Stocks***" by Charles Brady, published January 09, 2014 FOXBusiness, which pointed out that of the 55 health care names in the S&P 500, 17 stocks, or about one-third, are touching all-time highs, including insurers (AET) and (CI), along with a slew of equipment makers.

http://www.foxbusiness.com/markets/2014/01/09/investors-stick-with-health-care-stocks/

Top 30-Day United States Industry in the Health Care Sector.

Pharmaceuticals, Biotechnology & Life Sciences
207 Companies

Top performing companies	Market Cap	1 Month Change
Intermune Inc	$3.3 B	133.6%
Furiex Pharmaceuticals Inc.	$1.0B	113.8%
Oncothyreon Inc	$228.0M	53.0%

As of: 02/26/14

http://investing.businessweek.com/research/sectorandindustry/sectors/sectordetail.asp?code=35

Demand and Supply

It is an inescapable truism of the natural history of human beings, that illness will occur. Disease conditions have to be screened for, prevented where feasible, tested for when suspected, diagnosed when present and treated when found. An enormous amount of effort is continuously directed towards finding better, more efficient and novel ways of doing all these things. The research and development investment is great, and when a product is successful, the rewards can be quite considerable. Therein lies the driving force behind healthcare stocks, the secret of the resilience and staying power of this particular sector.

Reading the Tea Leaves

The prognosis appears good, for healthcare stocks. Health care currently accounts for about 13% of the S&P 500 index's market capitalization, and is represented in many broad funds that include assets across all sectors, including the shares of biotech, pharmaceutical, medical-device, insurance and hospital companies. For the 12 months ended January 31, 2013, health-care stocks in the S&P 500 index returned 33.1%, beating the overall S&P 500's 21.5% return. That surge was fueled by outsize returns from biotech shares, and by an aging population creating demand for medical products and services, according to an article by Jane Hodges, a writer in Seattle Feb. 3, 2014 4:21 p.m. ET.
http://online.wsj.com/news/articles/SB10001424052702304549504579318843730709778.

Weather Forecast

Overall, the outlook for these stocks continues to look bright for 2014 and beyond, but the well-worn saying "Caveat emptor" applies, and investors need to be aware of the level of exposure to different types of healthcare companies, particularly small biotech firms that are prone to soar spectacularly or alternatively, crash and burn. Flynn Murphy, a Morningstar analyst (Morningstar) who tracks actively managed health-care funds, says the early-stage biotech companies, whose shares appear in many general health-care funds as well as biotech-specific funds, involve "binary risk"—strong upside when a company reaches development milestones or gets regulatory approval for new therapies, but proportional downside when a development project fails or a company encounters regulatory hurdles". This phenomenon, is certainly food for thought. A worry for investors, is that the Affordable Care Act (ACA) implementation has created some uncertainty in the sector, particularly for managed-care companies and insurers. The new insurance climate may influence the fates of new, experimental products, to the extent that coverage choices are based on product pricing. Many experts seem to agree however, that the near-term effect of the new rules on health-care companies' performance, although unclear at this time, is in general, likely to be minor, compared to. other influences on the sector Healthcare has been historically resilient, and healthcare holdings if properly managed as a proportion of a well balanced portfolio, have the potential to do well, despite the all too predictable ups and downs of the economy.

Strategy

These "defensive" stocks are of course, not unassailable, as slow national growth in combination with the need for debt reduction, necessitating federal funding cuts in certain areas, including healthcare, could adversely affect these positions. However, many investors believe that making judicious selections for portfolio diversity, could provide a measure of stability in times of market volatility, and it is clear that investment in select areas of the healthcare sector, has distinct advantages in the long term. Healthcare stocks have traditionally, comprised healthy (pardon the pun) proportions of the average risk-averse portfolio. Although as any investment advisor worthy of the name would caution, past performance is no guarantee of future earnings, the omens indicate that this is no passing phenomenon, at least in the foreseeable future.

Conclusion

The key lies in portfolio rebalancing, and there is no time more appropriate than now, to take a microscope to one's investment strategy, as well as one's underlying assumptions. To make the most of a portfolio, one cannot overemphasize the imperative of consistent rebalancing, to maximize profits and minimize overall risk. It may be a wise move, to at least, think about lending more weight to healthcare stocks, than has traditionally been the case. The precise mix of assets will depend on risk-tolerance, age and goals, among other factors. Advice from an investment professional, is therefore highly recommended. According to Fran Kinniry of Vanguard Investment Strategy Group, "We are now seeing for the first time since the onset of the global financial crisis, significant positive cash flows into

stock funds and negative flows out of bond funds". He goes on to remind us "Rebalancing is not about maximizing returns, reversion to the mean, or market forecasts. It's about maintaining the risk-and-return characteristics of the portfolio an investor selected based on his or her unique time horizon, risk tolerance, and financial goals."
https://personal.vanguard.com/us/insights/article/rebalancing-122013

Communication in the Health Care Arena, Why it should be Patient Centered

by Simbiso Ranga, MD, MBA

Business models centered on communication encourage consumer networking, and use the media of interaction as a platform to sell advertisements, whether this be Facebook, Newspapers, Television, etc. The idea is simple, the more traffic, the better and the chances of advertisements reaching the intended audiences, hence likely higher sales. In the end, everyone benefits; the media provider gets revenue, Advertisers improve their sales, consumers get to communicate and learn about different products or services they need, and society benefits through these economic activities.

Sometimes consumers do not even notice the advertisements which are in front of their eyes every day, just because they are consumed in other matters on the media platform, hence the idea of pay-per-click (PPC), utilized by providers such as Yahoo, Bing, Google, etc. The advertiser only pays per advert that was of interest to a user. It forces the platform owner to figure out ways for adverts to target the intended audience more easily, and for the advertiser to make the advert good enough to peek the interest of the target user. If a user is not interested, they do not have to watch the advert. That is still a win-win for everyone. Why does this matter in the age of Meaningful use of the Electronic Medical Record?

Firstly, it is important to highlight the fact that the patient has to take center stage, and not be an afterthought. Empowering patients to own their records, one way or the other should be a long term goal; if in fact one believes that an informed consumer makes the best choice about almost anything, including their own health. Adam Smith believed in the invisible hand that drives every person to make choices good for them individually, that in the long term end up benefitting society as a whole. Personal health, as much as it has been shrouded in mystery and secrecy for centuries, is one such "product". As information becomes more readily available, including health related information, consumers are in a better position to make their own choices. Their doctor may not always "know best after all'. When patients are the drivers of their own accounts, they are prudent, and tend to rationalize their choices in the long run. It is amazing to see how patients would use their own medical records. I would like to believe it will not all be Armageddon as some in the medical profession want to believe. Yes, some will use the information for litigation, as they would without the information, otherwise will tend to panic and misinterpret the information (raises questions about the quality of communication between the patients and their doctors), and some information may fall into the wrong hands (enemies, employers etc.).

I wonder why not many people say the same about cell phones falling into wrong hands, or online banking information falling into the wrong hands. Information falling in wrong hands happens every day, but the question is never whether it occurs or not, but more of how to minimize it, and what to do when a breach happens. Lately, there has been an outcry regarding finger print use to unlock iPhones, thanks to Apple. Surely, the consensus is advancing technology and communication benefits everyone in the end. As much as the average professional thinks the consumer cannot be trusted with their own information, history suggests otherwise. The question is how to do it in such a manner that there is meaningful use of the information or records.

Secondly, a shared responsibility is better than an asymmetrical possession of information. As a patient, I would ask, what are they saying about me out there? The hope is that my doctor, who is supposed to have my best interest at heart, hence has my confidence, keeps an accurate record. Unfortunately, the fragmentation in the Healthcare arena means that the doctor may not have up-to-date information. Active patient engagement would spread the responsibility of updating this record, with the patient at the center always. What is amazing about this shared responsibility is the fact that the record becomes a living, dynamic one, as opposed to a static, occasionally updated record. Empowered consumers have an amazing way of asking the appropriate questions, which can translate into meaningful action, on their part, and on the part of the health care providers.

When patients share information, and become part of communities online, they can be an excellent source of establishing trends in real time. For example, young diabetics can ask questions about why it is so tough for a lot of them to be compliant, how do they do cope, and what challenges they face because of their condition. It sounds simple, but these discussions can be an eye opener. At present, I believe the lack of ownership of medical records by patients may be delaying this very necessary discussion. The dialogue starts with empowerment, and a sense of autonomy. Human behavioral studies suggest that people are less likely to act when they are not in complete control. They shift responsibility.

Unfortunately, when it comes to healthcare as a consumable product, the same attitude prevails. Doctors sometimes are frustrated by patients who are not acting on their advice, and patients charge their doctors with negligence, when they feel that the doctor missed something, or did not tell them about it. Doctors who engage with their patients more are less likely to be sued by them. It would therefore make sense to bridge the information gap.

Lastly, bridging the information gap improves accountability. In the transparent society that we have become, one should want to be accountable, particularly in real time, tough as it sounds. Almost every service provider has a customer satisfaction measuring tool. There is a purpose for that. That is how companies can build better products that consumers are actually interested in. What is the point of putting tons of money into R&D for a product that is not solving a problem that consumers would like to be solved? What better way is there to learn about what consumers care about than from the consumers themselves?

The attitude of some healthcare providers that patients are too demanding is just wrong, especially when patients pay for these services. "Them against us" is a recipe for disaster. It should be a collaborative effort, where everyone is has responsibility and is held accountable. This starts with empowering the consumer of healthcare services, and one critical piece of this puzzle is the medical record in the hands of the patient, scary as it seems. The telecommunications industry and social media experience suggests that when consumers are properly empowered, it works for the common good; the same should be said of healthcare.

Logistics Industry Growth Strategies take different Routes

by Edgar Mueller, MS, MBA

The freight logistics and transportation industry is undergoing a generational structural change. This traditionally highly competitive, but fragmented, industry is undergoing growth, consolidation and infrastructure changes that require various strategies for those participants who plan to remain or become market leaders.

Industry

The transportation industry includes trucking, maritime shipping, rail transport and air cargo. Intermodal transportation is when standard containers are shipped via multiple modes (road, rail, sea and/or air) without any handling of the freight itself before its final destination. Less than Truckload (LTL) is when the freight is of smaller volumes and mixed within a truckload or container, requiring unpacking and repacking. Logistics services include transportation management, fleet management (including telematics), warehousing, materials handling, order fulfillment, logistics network design, inventory management, supply and demand planning, and third party logistics (3PL) management.

In 2010, the trucking sector accounted for 81 percent of total transportation industry revenue and 67 percent of total tonnage. The American Trucking Association's (ATA) U.S. Freight Transportation Forecast predicts significant revenue growth of 66 percent and tonnage growth of 24 percent in the trucking segment by 2022. Intermodal transportation is forecast to grow 6.6 percent annually until 2016 and then 5.5 percent annually until 2022. The Intermodal Association of North America reported an annual increase of 9 percent in domestic container movements (volume) for the second quarter of 2013. Maritime shipping carries about 78 percent of all U.S. exports by tonnage. Rail carries approximately one third of all U.S. exports, including coal, raw metal ores and grain. The industry often experiences large shifts when different materials are in demand. Domestically, trucks move 67 percent of all tonnage. The domestic trucking industry saw revenue of over $600 Billion in 2011, according to the U.S. Commerce Department's SelectUSA. The air cargo industry carries 35% of the value of goods traded internationally, but, except for the largest planes, is limited by weight, according to qfinance.

The logistics and transportation industry is very competitive and correlates with GDP. When the economy grows, so does this industry sector. So, if the national and international economies continue to grow, then this industry and its firms generally follow same curves. As more goods are produced, more need to be shipped. Economic slowdowns will have a similar direct effect. In the U.S., according to SelectUSA, spending in the U.S. logistics and transportation industry totaled roughly $1.3 Trillion in 2011 and averaged 8.5 percent of annual GDP.

Industry Leaders and Strategies

The leading container shipping companies in order of Twenty Foot Equivalent Unit (TEU) capacity can be found online with the leaders being A.P. Moller-Maersk Group, Mediterranean Shipping Company and CMA-CGM. There are also many small companies in this space with differing market segment focus areas. For example, Cargo Logistics Network (CLN) of Charlotte, NC, is a third party logistics provider (3PL) that achieves global reach via a network of 180 affiliate offices in over 90 countries, covering over 400 ports. The network competes on the scale of any competitor for supply chains of any size or scope.

Other firms are set up with differing strategies. XPO Logistics received a large investment from Bradley Jacobs Private Equity in September 2011 and has followed a strategy of acquisitions. With significant liquidity and capital, XPO Logistics has made at least 11 acquisitions in the industry since 2012. Most of them have been non-asset based logistics firms that may benefit from a larger scale and access to capital. According to the International Labor Organization and ZeePedia, 70 percent of all mergers and acquisitions fail to meet their merger objectives within two years. This implies that a growth strategy based on financial acquisitions has its risks. The XPO Logistics exit strategy may be to reach an impressive scale and then selling to one of the top three global logistics firms, or to become one of the top logistics firms themselves, however, the latter would logically require a shift of some sort in management focus from financials to operations. This strategy is dependent on continued industry growth, tied to GDP, and economies of scale. With trade increasing, the newly-widened Panama Canal coming online in a couple of years and new intermodal facilities being constructed in many cities, e.g., Jacksonville, Charlotte, Kansas City, Birmingham, and Quebec, this acquisition strategy will be interesting to follow. The industry has many firms and may appear ripe for consolidation, but the same reasons that support diverse firms now may pose challenges to any consolidator. The scale strategy depends on pooling resources to reduce costs, while simultaneously investing in more efficient systems. Logistics, like politics, may play out on a global stage, but it is often local contacts and understanding that are critically important, particularly with various customs regimes. XPO Logistics' January 2014 acquisition of Pacer International made it the third largest intermodal carrier in the U.S. and added rail capacity, adding significant assets for the first time in its acquisition strategy. Pacer is the largest intermodal operator between the U.S. and Mexico. Large private equity-type players can be expected to segment core profit streams and focus on the most profitable ones, while exiting areas where the costs unfavorably impact the profitability. This will always leave areas for niche companies to meet certain needs, and do so profitably where large operators cannot. A benefit of the outside investment in the industry, where pricing is often very competitive, is that the large investors may also advance the industry with more fleet management and telematics offerings, including container diagnostics.

Intermodal is a leading growth segment in the logistics and transportation industry and intermodal brokerage will continue to increase with it. Another area of potential growth revolves around Liquefied Natural Gas (LNG). Gas pipelines, LNG plants and LNG terminals are providing the infrastructure to export more of the natural gas being produced from U.S. shale formations. The global demand, including as a strategic supply source for Europe to reduce dependence on Russia, is driving investment in LNG shipping logistics and LNG port terminals.

Outlook

Freight rates have been declining due to a sluggish global economy and competition, even as some shippers have reduced capacity in an attempt to maintain rates. Many other shippers trying to gain market share are adding to the glut of capacity. Like passenger airlines, load factors are important to profitability. The largest shippers and the niche shippers with solid global networks are the most likely to remain strong, while those caught in the middle tier, i.e., not quite large enough to benefit from the economies of scale of the top three shippers, nor small enough to run niche operations profitably, remain the most likely merger targets or bankruptcy victims. Therefore, expect consolidation to continue. Emerging markets can be expected to continue their growth, if at a slower pace, but there will also be growth in developed nations as ships get larger, more ports are dredged to meet post-Panamax requirements for a 50ft. draft and LNG terminals are built.

The freight logistics and transportation industry is experiencing a period of growth with margin pressures that will result in fewer competitors with larger, efficient conglomerates emerging to join the current industry leaders and many interconnected niche players operating profitably, as well. The mid-tier shippers face the greatest challenge.

Health Care Communication - How it Should Look

by Simbiso Ranga, MD, MBA

It took an act of Congress (Telecommunications Act of 1996) to require telecommunication companies to make it possible for clients to keep their numbers when they switch to a different carrier. Interconnectedness is made Imperative by the fact that communications services exhibit network effects and positive externalities. While the limited connectedness served as a barrier to entry, the interconnectedness has actually seen consolidation of telecommunication providers. The Telecommunications Act of 1996 set obligations for incumbent carriers and new entrants to interconnect their networks with one another.

The need for continuity of identity is not only essential for issues like national security but for customer convenience. In the health care sector, this can be a matter of life and death. Not only does the identity need to be the same, the health history needs to be accurate and up-to-date. Yet, Meaningful use of IT in Health Care is taking root only now. In the state of the Union Address in 2004, President Bush announced a Policy to ensure that most Americans have an electronic medical record by 2014. Enhancing communication among health care players is a major objective of the policy. The telecommunications industry has faced similar challenges, with an objective to improve network to network communication, without compromising the competitiveness of each player.

The communication industry has to streamline the communication process between customers, and between networks. Customer to customer communication is cheaper in the same network, which is why networks preferred this model at the beginning, and they still subsidize in network communication.

How have Telecommunication Companies dealt with the increased expense to improve interconnectedness?

1.) Collaborative effort between carriers- sharing towers etc.
2.) Regulatory fees passed on to consumers
3.) Have government legislate on requirements like on customers keeping same phone number between networks.
4.) Differentiation of product offerings through bundling and unbundling of products to avoid competing on price.

What can the health care sector learn from the telecommunications Industry?

1.) That if they do not embrace meaningful change in IT use, the government gets an opening to step in, as it has done. Fortunately, the government stepped in with incentives for embracing meaningful IT use, instead of setting a standard without the necessary subsidy.
2.) That collaborating with rivals even pays off in the long term. It is essential for EMRs to be compatible for them to provide the most value
3.) That meaningful communication on patients between providers should not be viewed as a threat. Transparency provides an opportunity to be more accountable to patients as well as fellow providers. This will hopefully improve the quality of service, and standardize treatments.
4.) Long term efficiency in health care provision depends on a good IT infrastructure or grid.
5.) That the creative destruction of Medicine as Eric Topol calls it, is inevitable, and requires a different communication approach. The telecommunication industry has had to continually adjust to the constant change forced by technological advancements by improving the communication experience for all their customers.

Challenges for the Health care Industry

1). Cost of laying the right infrastructure not easily offset by price or volume adjustments elsewhere- There is pressure to cut costs, yet at the same time lay IT infrastructure. How should Health Care providers and administrators think about deploying Health IT?
2). Opaqueness in the health care industry- There is asymmetry of Information, and similar health care conditions may not be called the same by different providers, for billing purposes for instance. Standardization will have to start with a network, then reconciled between different networks, a cumbersome and expensive process.
3). The seismic change in Health care is causing uncertainty hence hesitancy for providers to adopt changes too quickly. It is like a slipping pedestal, which providers have had to contend with.

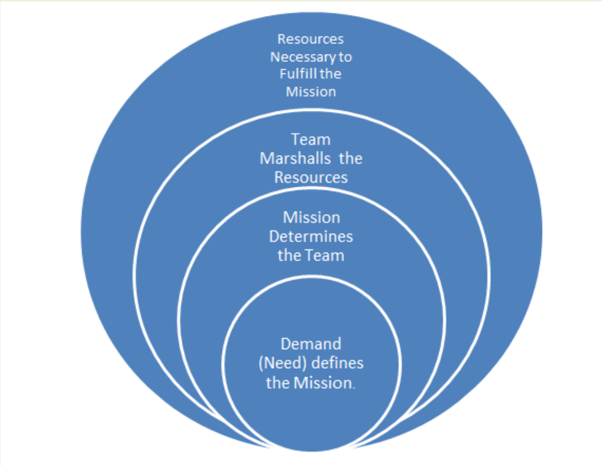
How should Health care providers respond?

1). Align long term goals with the prospect that every provider will have to be part of health care IT grid.
2). Do due diligence to assess the implications of this alignment- what does it mean revenue wise to have a new IT system? How does this affect patient scheduling? What is the short and long term cost implication? How can the IT be adopted smoothly?
3). Engage consultants who have a good grasp of the fast changing landscape.
4). Keep patients informed of the changes, as transitions are not always smooth.
5). Find out how other providers are responding to the changes. What systems are they adopting?

Nonprofits should let the Demand for their services define their Mission to succeed

by Simbiso Ranga, MD, MBA

The demand is the need any organization has to fulfill for its clients. For nonprofit organizations, like any other business enterprise, the mission must be a function of this unmet need. While nonprofits need teams which are passionate about the mission, the teams are more effective when they rally towards a clear objective. Usually, nonprofits tackle problems for vulnerable populations like minorities, children in poor or war torn countries, the elderly, prisoners and refugees. They also address other causes related to the environment, climate change and endangered animals. Organizations which are passionate about tackling these challenges need to have a clear mission and objective to be effective. An objective or mission that is too broad or too narrow confuses or constraints the team resulting in lesser than optimal results, hence frustrated clients and partners. So, how should an organization define its mission? As simple as it sounds, the demand (client need being met) should define the mission.



The need (demand) being met can be broad in scope. Let us take refugees who migrate to the USA for example. They will have many needs when they land on USA soil. They will need basics like shelter, food and security. Those are very broad needs. No one organization can meet all these needs because each of them is quite complex. However, an organization can take up the challenge of providing shelter, year in and year out. Over time, this organization will have a mission statement that says it Integrates refugees into the Community through providing them shelter when they first land in the USA. Another organization will provide education so that refugees learn how to navigate the system. Once the need is identified, and there is a clear mission, then a team is assembled. The team constitution will determine the resources to be marshalled for the mission. Some functions will be performed by the team, others have to be outsourced. The team must have the passion. It will help the organization more if the team members have high proficiency for the mission at hand. However, a lack of proficiency among team members will not be a big impediment if the team knows what resources are necessary, and rallies around to mobilize the resources.

Once the demand has been identified, there will be a need to define it further. The team has to understand the nature of the demand.

A refugee agency should ask a number of questions; e.g. how many refugees come to the USA every year, month, week, or day? Of these, how many end up seeking services from our organization? What have we promised them? What do they ask from us? What have we done for them more than anything else? What do we anticipate their future needs to be? How should we channel our resources to meet their needs? Sometimes organizations believe they have to meet every need out there. That will weaken the ability of the organization’s effectiveness. It is better to pick one focus of service (based on the demand of course), and do it well, then collaborate with other organizations within the same sphere of interest to direct the refugees for other services. For instance, an organization that focuses on education (including language lessons, job application training, mentoring and coaching), can partner with another organization that provides basic needs like clothes, food and shelter, so that the organizations can feed off of each other. The organizations can share data bases for instance, making it easy for their clients as there will be less redundancy, hence faster service.

The current and anticipated demand should inform the budgeting process. What resources are needed to meet the demand? The demand will vary with seasons and economic winds, hence the need to mobilize adaptable resources. The biting recession of the past 5 years saw a spike in demand for humanitarian services, resulting in a bump in the number of nonprofits. However, with the recession gone, the demand will drop and some organizations will have excess capacity. Consider organizations which work with vulnerable kids (whether it is those at increased risk for dropping out of school, or foster kids). A healthier economy means more empowerment for families, hence a reduced or steady demand for distress services. The needs will evolve from say basic needs to mentoring and coaching services. No one organization can have this adaptability. There must be a willingness to partner with other organizations, even in terms of resource sharing. There will be volunteers committed to working with vulnerable kids for instance. If channeled properly, they can serve multiple organizations that help vulnerable kids. Collaboration will be a valuable tool especially in an environment of uncertainty. An organization can focus on its mission more if it allows itself to partner and collaborate. By collaborating with the right partners, the organization will free itself to accomplish its mission more effectively. It can focus on what it does best without the fear of losing clients.

Fundamentals for a Successful Business

by: A. Kong, MS, MBA

According to statistics provided by the Small Business Association (SBA), 80% of small businesses fail within the first 3 years of operation. This is not an encouraging fact for entrepreneurs and businesses in their introductory phase. However, there is hope for those who are committed to following the path that leads to success. There are numerous reasons why businesses fail within this timeframe, including the following:

1. **Inadequate Infrastructure**
   Too many business owners are solely focus on driving revenue. They tend to spend less time focusing on the infrastructure required to make their business safe, efficient, productive and functional. They fail to ask and

answer simple questions like; what type of business license do we need? What types of software are needed to perform the job efficiently? What's the right amount of staff needed for the partnership? Where should this business be located? If you are starting a restaurant, you want a find the appropriate location that is frequently travelled by the targeted customers. Most of these questions can be answered if the company solicits an organization that can help with providing insights and recommendations on improvements.

2. **Emotional Pricing**
Understanding the competitive landscape is critical to the business survival. Most new business owners just do not understand the value of their product as related similar ones on the market. Providing price for products based how we feel and to gain a better relationship with customers may not be the most impactful in the long run. Some owners believe if the set a lower price they will penetrate the market and raise the price when they get adequate market share. This type of strategy usually works best for firms who have made it out of the introductory phase. Business owners should have some understanding of cost of goods sold and what should be their breakeven. Too many business owners set price based on how they feel and their perception of the product. It is a good product, so I should not have any problem selling it for "x" dollars. Understanding your customers and their willing to purchase your product in lieu of the competition is very important, unless you have a product that has yet been marketed. Pricing a product too high or too low may have adverse effects that you may not be able to recover from in the long run. Understanding your product, customers, and their willingness to pay are the fundamental attributes in developing the appropriate pricing scheme for your product or services.

3. **Poor Planning**
Charting a course for your business is important to its success. Just having a plan is not enough. Outside of the day-to-day operation of the business, the owner or stakeholders need to develop marketing strategies and operational strategies for the business. Most businesses tend to be reactive rather than proactive; a "go with the flow mentality". This tends to get a lot of business in trouble; they can't meet client goals, they are disorganized, and the end result is that the product suffers and clients are unhappy. This approach is very prevalent in the construction and engineering industry. Most of these businesses have a limited amount of people resource and slack in the system to address backlog or excess capacity. The same people who market the contracts are the same people used to execute the project in lieu of having people focusing on individual tasks. Most new business have a limited amount of staff; therefore, it is common to have one person wearing many hats. Not having a clear and actionable plan makes it difficult for those people to perform their task efficiently and effectively.

4. **Lack of basic Financial Knowledge**
Understanding the basis financial statements (balance sheet, income statement and statement of cash flow) is crucial to the success of the business. Inadequate infrastructure, emotional pricing and poor planning combined inadequate book keeping equals receipt for failure. Not knowing how to allocate costs leads to poor record keeping. At a minimum, most business owners should either have people with the expertise set up their financial statements. Most small business wait until it's time to file taxes to start getting organized. They open boxes of receipts for their accountant to generate the financial statements. Their attitude is that they can pay the penalty at the end, if needed. Not understanding how cost is being allocated for marketing, SG&A, labor, material, inventory, etc. on a consistent basis is receipt for disaster. Without the proper knowledge of your company's finances appropriate budgetary actions cannot be taken to improve the business. Having the ability to generate the appropriate financial statements will help reduce write-offs and improve the bottom line.

5. **Highly Leverage**
Leverage is simply the proportion of debt to equity. Having a business with high debt to equity ratio is not always a bad thing, depending on the type of business you are operating. This type of behavior is normal for financial firms with venture capitalist as stakeholders. These types of businesses occupy a small portion of new and small business. The majority of new and small businesses usually borrow monies from family members, friends, venture capitals, and other lending institutions. The issue that most of these businesses have is borrowing more money that is required to operate their business and the lack revenues to offset or repay the debt. If this situation is not reversed within the first three years of business, the business is forced to file for bankruptcy.

6. **Failure to Pay Taxes**
Failure to pay taxes can have serious consequences on the business. The IRS usually charges between 0.5% and 1.0% per month on the unpaid amount of taxes owed. The combined penalty can reach a max of 25% of the amount owed (http://www.irs.gov/uac/Failure-to-File-or-Pay-Penalties:-Eight-Facts). This can have adverse effect of getting other loans or continued line of credit for the operation of your business. Soliciting a tax professional to assist with setup your business and filing at the appropriate intervals is vital to success of the business.

7. **Poor Record Keeping**
The biggest mistake small businesses make is not keep proper records, especially as it relates to sales. Not having adequate records of sales can have tax and ligation implications. Record keeping can be achieved very simply, depending on the type of business you operate. Utilizing a simple spread sheet and updating it on a weekly or monthly basis can save a lot of headache in the end. If there was a direct penalty for poor recording, most companies would be fined, but this would force them to improve their record keeping.

The first half of this article covers seven of the main reasons for failure of new and small businesses. At **Tru-Point Synergy**, we believe every business should rely on the same fundamentals for success. The four most common fundamentals to consider are:

1. **Establishing a Clear Vision**
The first question any entrepreneur or new business owner should ask is what do I aspire to be as a business? What do you want the company to be or know when it gets beyond the introductory phase? Establishing a clear vision, with the goals necessary to achieve this vision, is

important. At no point should the owner(s) of the business lose sight of the fundamental reason of conducting a business, and that is to make money. The vision of the company should be simple and easy to understand. The vision should be as concise as possible without losing the idea. The vision should be able to inspire employees and stakeholders alike. There is a very famous biblical code that is true for business today as it was in ancient past; “where there is no vision the people perish”. A vision is the core that defines most businesses.

2. **Marketing**

Knowing who your customers are is the most important part of your business. Developing a marketing plan is just as important as knowing who your customers are. A marketing plan can be simple or elaborate, costing thousands of dollars. Companies with deep pockets usually perform marketing research (data gathering) to complete their plan. The data gathered can be used for customer targeting, positioning, segmentation, pricing, advertisement streams, conjoint analysis, and other fancy marketing analysis. Most new and small businesses do not have the resources necessary to perform this type of marketing analysis. However, this does not preclude them developing a marketing plan. At a minimum, your marketing plan will help with; establishing a territory where your product will be sold or services offered, types of advertising required, threats of entrance in a new market, supplier power, customer power, substitutes, and most importantly, competition. Most new and small business do not have the expertise to perform these analyses and should seek assistance from consultants who are capable of providing these services. Bottom-line, if you do not have a good method of selling your product or services, your business will never fulfill its goal.

3. **Financial**

Most new and small business underperform and get in trouble because they have little or no understanding of financial statements and how to appropriately allocate cost. Too many times, when you engage in conversation with small business owners, the first thing they say is “I am focused on revenue.” They fail to realize that revenue is one line on an income statement. Once a business starts getting steady revenue, then financials start to get more complex and that’s where most small businesses get in trouble. They fail to appropriately track write-offs, deferred revenue, inventory cost, SG&A, accounts payable, loans and interest, salaries and taxes. Outside of the mechanics of understanding financial statements, small or new businesses tend to miss the ball by hiring before having adequate revenue, focusing on one source of revenue, carrying too high of overhead, having inadequate budgeting, and providing poor investment allocation. Taking a loan for your business and not understanding the implications of the interest rate is poor decision making.

4. **Operations**

Having the right people and systems in place is integral for a successful of the business. Most new and small businesses consist of a few partners who divide and conquer. This should be considered a temporary arrangement. The company should not neglect to establish an organizational structure that is most suited for that type of business and over time, find the right people to fill the different roles. There should be systems in place to incentivize employees. This will help with establishing the culture you want for the business. It is easy to establish a culture for the company when the company is still small then to try and make adjustments once the company is mature. Having the right tools and equipment will increase efficiency and productivity.