BetterSMB FINANCE

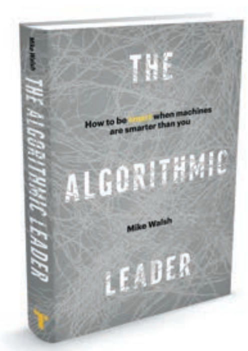
Summer 2019 Volume 3 • Number 2

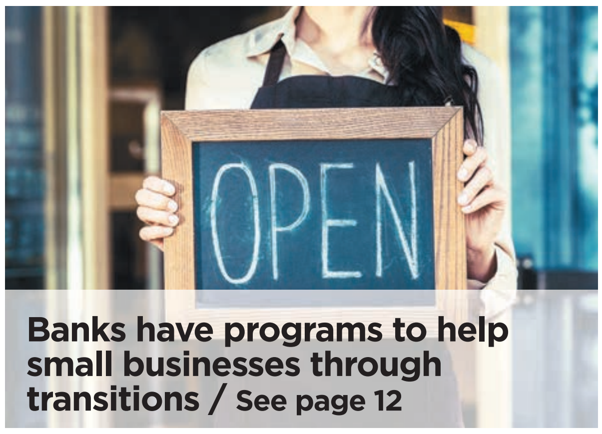
BridgeTower Media series of guides for small and midsize businesses

REVIEW:

The Algorithmic Leader: How to be smart when machines are smarter than you

See Page 19





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BRIDGE TOWER MEDIA™

Adam Reinebach
President and CEO
BridgeTower Media

Keep an eye on finance to keep your business strong

Once again, BetterSMB is taking a look at business finance, an important topic for companies of any size.

In our cover story, we took a look at five businesses and the ownership structures they chose. One thing they all had in common: they sought expert advice before selecting a business structure. If you haven't given recent consideration to the structure of your business, changes in federal tax law may give you a reason to revisit the topic with a trusted expert. Or, if you're just starting out, you may find some inspiration in each example of growth and planning for the future.

There are other parts of this issue you might find inspiring. Perhaps you've been considering a way to raise money for your business. Our report about crowdfunding details how one company with a dream about giant robots raised more than half a million dollars by convincing strangers on the Internet to help fund its idea. Crowdfunding wasn't the only way MegaBots raised money: they also had the help of an angel investor, and since that time they have also attracted millions of dollars in venture capital investment.

If you're thinking of borrowing money for your business, be sure to read our story about how other companies have approached that topic.

As always, we have two business book reviews, perfect for anyone who wants to continue learning.

There's always something new in each issue of BetterSMB.

Corrections

In a story on page 4 of the March issue about the #MeToo movement's effect on changing executive behavior, PGHR Consulting's location was reported incorrectly. It is based in Pittsburgh. Laura Dunn's position at SurvJustice was unclear. Dunn is founder of SurvJustice and attorney and managing counsel of DC for Fierberg National Law Group, PLLC.

In a story on page 6 of the March issue about wage growth, Some references to Mary Ann Sardone used an incorrect name.

Table of Contents

Choice of business structure important for business owners

Expert advice essential for making the right decision

By Jason Whong

An owner's choice of business structure can have wide-ranging impacts, including how the business is taxed, how protected the owner is from liability and what kind of reports and business processes are required.

Choosing a structure for a business can be easier with advice from professionals. Erik Moore, Chief Investment Officer with Moore Wealth Inc., an investment adviser in Frederick, Maryland, said he works with business owners and their accountants to make sure they've got the right structure for their businesses.


Moore

"We're going to try to understand as much as we can about every one of these business owners' personal lives as well as how their business runs," Moore said.

Among the questions Moore asks: How many owners are there? How many employees are there? What are your personal goals for the business? How do you plan to exit the business later? Some business structures can be more beneficial down the line depending on the answers to those questions, Moore said.

After that, the question is, "how do we go from there to create the best scenario for them to save money long-term, invest money in the best way, and then … anything they can put out to their employees, also," Moore said.

Most of the clients Moore works with already have a business structure that makes sense, but for about a quarter of clients, Moore said after conferring with the client's accountant, he may suggest a different structure to the client.

"Usually, the answer they have is … 'you know, I've meaning to get to that,' or 'Oh, I never even really thought I could do that,'" Moore said.

Here's a look at five businesses and the organizational structures they chose. While the circumstances of each business in this story played into their decision, a common thread among each business is that they made their decisions with the help of advice from experts.

The 'side hustle'

Gina Brelesky has been in the human service field for most of her career, doing direct support for people who have intellectual and developmental disabilities, and working as a corporate educator. Through her work, she has met people that have asked her to help out with projects for other businesses.


Brelesky

"I ended up creating this side hustle, actually," Brelesky said of her coaching and consulting business in Harford County, Maryland. While she's been employed full-time for the past 35 years, she's worked with other teams to help them with their goals. "It really just came out of something I absolutely loved to do," which is learning development.

"I still work full-time. I am at what I would I would say is the third act of my current career," she said. "So as that third act comes to a close, then my business will be online full-time."

Because Brelesky doesn't want the job to grow too quickly — "I don't have quite enough energy for two full-time jobs," she said — and with advice from a small business program about what makes the most sense for her right now, she chose to stick with the business structure automatically given to people working for themselves: sole proprietor.

"I don't have any employees," she said. "I am … the only person really doing anything in terms of this business."

Brelesky said she gets the most requests for one-on-one coaching, and she plans to increase the number of coaching clients in the future. She envisions the next five years as a time of laying the ground work for working with more clients, with an aim of picking up the pace in perhaps three years. She is considering conducting business also in Hawaii, Montana, and may even end up in some sort of partnership. She says it's possible she may need a different business structure later.

The consultancy

Dustin Hewit has about two decades of experience in communications for hospitals, health care, economic development and other fields. He began working on forming his business, Long Run Communications, in April 2018 and launched it formally in July 2018 from his home in Corning, New York.


Hewit

Hewit does writing and communications planning. Some clients already have a marketing plan and need him to write something for a website or annual report. Others don't have those plans already made, so he works with clients to figure out their goals and intended audiences, and comes up with a way to achieve their objectives.

"At this point it has built up lots of interest and great support from folks that I've known," Hewit said. "It just seems to fill a niche."

There's another part of his business that took off, almost by surprise to Hewit: adult training and education facilitation. Sometimes he manages communications for the education programs, and other times he'll be in the classroom teaching.

"That's been a really nice additional part of the business," Hewit said. "I really enjoy it a lot and I get to work with some great people who are doing really, really cool stuff."

Hewit's accountant recommended he choose a sole proprietorship for Long Run Communications. It cost him nothing, and it was very quick for him to set up. Though other business structures can reduce a business owner's liability, Hewit says he is covered: he has liability insurance to protect himself.

"Even though that's not required, it is advised. And it's also, frankly, required for some of the contracts that I have. So that allows me to get some work that I would not be able to get if I

Common business structures

Sole proprietorship

Businesses that don't register as any other kind of business are automatically known as a sole proprietorship. There's no separate business entity, so the business' assets and liabilities aren't separate from personal assets and liabilities.

Partnership

Partnerships are an easy way for two or more people to own a business.

Limited partnerships have one general partner with unlimited liability, while other partners have limited liability and limited control over the company. Profits are passed through to personal tax returns. The general partner must also pay self-employment taxes.

Limited liability partnerships give limited liability to each owner. Each partner is protected from debts against the partnership and each partner isn't responsible for the actions of other partners.

Limited liability company

An LLC protects a business owner's personal liability. Personal assets won't be risked if the LLC loses a lawsuit or goes bankrupt. Profits and losses can be passed through to personal income. LLC members must play self-employment taxes.

Corporations

A corporation, sometimes called a C corp, is a separate legal entity from its owners. It can make a profit, be taxed and can be held legally liable. Sometimes, profits can be taxed twice: when the company makes a profit and when dividends are paid to shareholders.

Corporations can raise money through the sale of stock. They have strict filing and operational processes.

An S corporation is designed to avoid the double taxation that occurs in C Corps. They let profits and some losses pass through to owners' personal income without being subject to corporate tax rates. S corps can't have more than 100 shareholders, and each must be a U.S. citizen.

Source: U.S. Small Business Administration

weren't insured, and also it does protect me."

Hewit is pursuing new business, but he's almost at full capacity, and that's fine by him. "The business is doing exactly what I want it to be doing," said Hewit, who is moving into new office space in July. Any change in structure in the future will depend on advice from an accountant and an attorney, he said.

The agency

Dan Schepleng began freelancing as a graphic designer in 2015, working for different agencies. He also worked in-house at an e-commerce fulfillment company, developing the company's branding.

Schepleng

One day he went on a beach trip and began to think about his goals for freelancing. "I was like, 'I need to do something. Either I need to go get a real job or or grow this into an agency.'"

Schepleng chose to build an agency, and started Kapowza, a creative marketing firm in Baltimore that does graphic design, video and digital media for its clients.

To grow, he worked in-house at the e-commerce company for two days a week, and spent the other three working on Kapowza, eventually transitioning that company to Kapowza's first client.

Schepleng hired two part-time employees: a graphic designer and an account executive, as he grew the company cautiously into the full-time shop it is today.

"I have worked at some places that had cash flow issues, and I've seen a lot of mistakes made by other agencies trying to grow too fast," Schepleng said of starting small and growing steadily. "Now, a couple of years later (after starting the business), we're about to be four people and we have a beautiful little office" in the Natty Boh Tower in Baltimore.

When Kapowza started, Schepleng stayed with the sole proprietor structure for a while. Under the advice of an accountant and a lawyer, and based on what he told them he wants Kapowza to be in the next 30 years, Schepleng chose an S-corp for Kapowza. "I wanted to add partners," Schepleng said. "I wanted to be able to grow." In the long term, Schepleng sees Kapowza growing to other markets, or perhaps even to Europe.

Aside from the tax benefits of the S-corp structure, there's an intangible benefit for Schepleng, who has previously owned limited liability companies. "There's something about being an actual incorporated company that feels a little different," he said.

The community hub

Randi Hewit, who is married to Dustin Hewit, is leader of a philanthropical nonprofit organization. In the city where they live, Corning, New York, there was once a women's center that operated as a nonprofit, but it closed perhaps 15 years ago.

Hewit

After the 2016 general election, women and feminists in the community thought they needed a place like the women's center again. "But I knew from my world of philanthropy that that business model, it doesn't work," said Randi Hewit. "You can't keep the lights on without some kind of revenue stream."

Randi Hewit's plan was to figure out a working business that could double as a women's center, so she worked with her best friend, Sarah Blagg, to develop Card Carrying Books & Gifts, a feminist bookstore in a historic shopping district that serves as a meeting space for community events.

"We set out to create a business plan and then open a business that would give all the resources and referrals you need for a healthy feminist community and allow the place to stay open."

Working with an attorney, the pair considered their options, including a benefit corporation, sometimes called a B corp, which would be driven both by mission and profit, but decided that option was too complicated for them. An attorney advised them to choose an LLC.

Initially, the plan was for both friends to be equal partners in the LLC, but the decision that ultimately made the most sense was for Hewit to be the owner of the LLC and for Blagg to be the only employee. "That just simplified everything, as far as filing was concerned," said Hewit.

Since the shop opened about two years ago, it has hosted Girl Gang, a "feminist youth group" that meets a few times a month, a sex education class, civil rights education for student protesters, beer tastings, author visits and other events.

"We started this business in order to make sure we had a place for people to gather and organize and feel safe," said Hewit. "And the business itself is growing. … I'm not saying it's making a lot of profit but it is. We are selling a lot of books."

The storefront is the only independent book store in the region that sells new books, Hewit says. She also sees a growth opportunity in the store's online subscription services, which can provide revenue when foot traffic traditionally slows during colder months.

The investment advisors

Moore Wealth, the investment advice firm, chose a C-corp for its structure. It made the most sense for the company from a tax perspective and also because of the savings vehicles the company uses that lets it grow money over the long term before distributing it to employees.

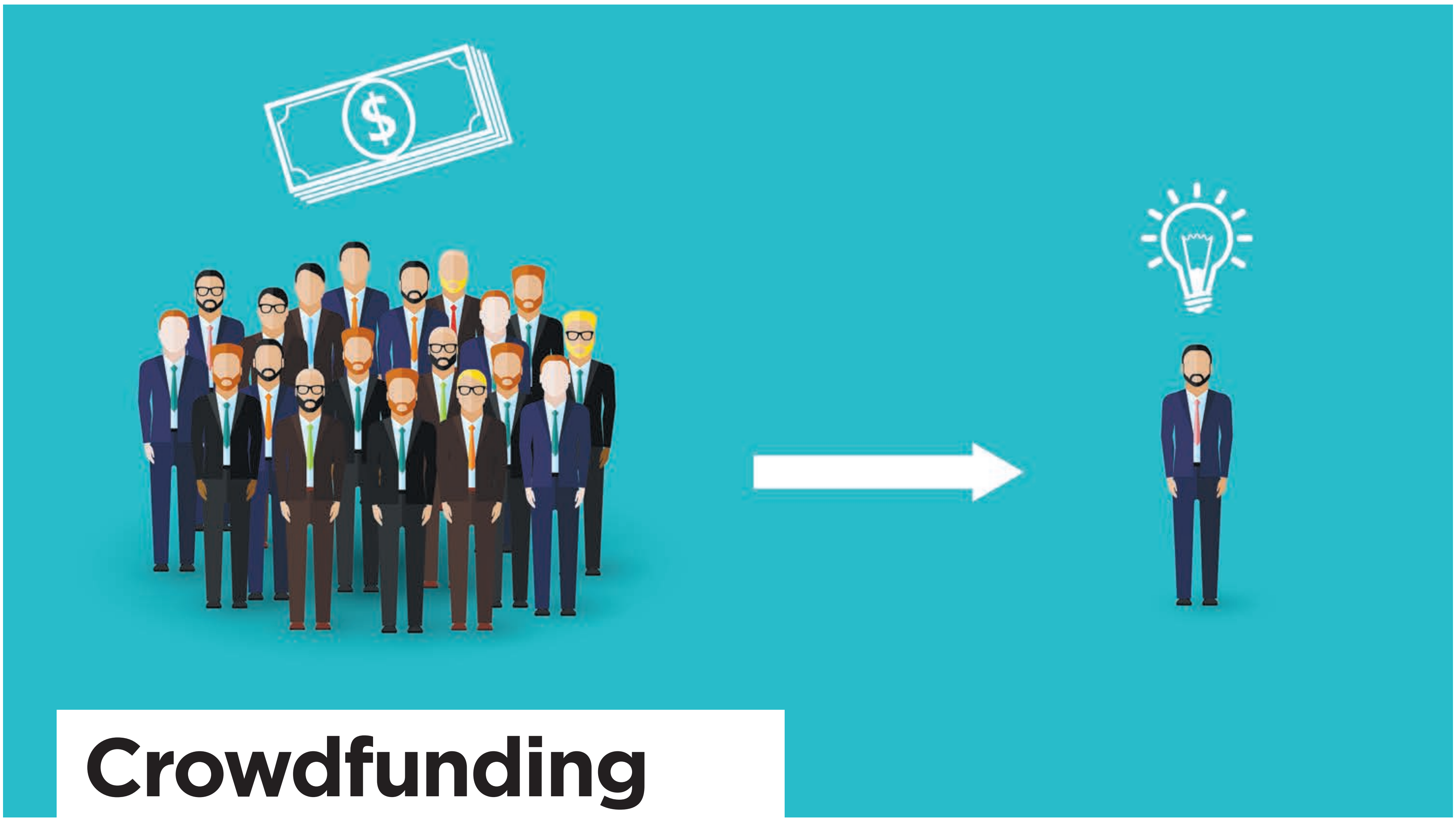
Each person at the firm is an employee, including the owner, his mother, Shabri Moore, Moore said.

"The corporate tax rate is lower than a lot of our personal ones so that ends up working out in our favor," Moore said.

Business owners have options for organizing their businesses. Choosing the right structure depends on each business' circumstances, and the desires of the owner or owners. There's no "one right choice" for business, but business owners who make an informed choice are in a better position to be well-served by their decision over time.

Choosing the right structure for a business is part of the planning that Moore focuses on with business owners.

"We've kind of found this niche of working with business owners because the planning is more important, really. (It's) something we can actually control. Markets kind of do what they do."



@maximmmmum via depositphotos.com

Crowdfunding can help early-stage businesses raise money

Convincing many strangers to fund your business may be more effective than convincing one loan officer

By Chris Barylick

Special to BetterSMB

Internet-based crowdfunding has changed the landscape for startup businesses.

What was once seen as either an online basis of donations, an electronic "tip jar," or a means of throwing a few dollars at a silly Internet stunt has become a legitimate tool for helping to get new startups off the ground.

Instead of convincing the a handful of strangers at your local bank branch to write one big loan check, some businesses are asking hundreds of thousands of strangers to support their concepts with smaller amounts. The reach of platforms such as Kickstarter, GoFundMe, and others, to millions of users, makes this funding route appealing for these businesses.

Convincing the masses takes an approach that usually includes filming a short video introducing your business idea or product, presenting the upsides of funding it, and offering reward tiers such as prizes for different funding levels and first dibs at the company's product once it hits the market. It's also a good idea to present a business plan and a clear logic and path towards profitability to convince strangers to fund them.

In the case of Matt Oehrlein, co-founder of MegaBots (www.megabots.com), his goal was to use crowdfunding to help bring the world's first giant robot fighting league to life. MegaBots was initially funded with $200,000 from an angel investor. The company later turned to Kickstarter, raising more than half a million dollars to help fund the creation of its Mark II robot, which fought and defeated the Japanese Kuratas robot in 2017. The company later raised another $3.85 million and $2.5 million in venture capital investment rounds and is still going strong.

"From a business perspective, crowdfunding is mostly the same thing as taking pre-orders, which businesses have been doing for a long time," Oehrlein said. "I think what modern crowdfunding adds on top of pre-orders is it helps build a community and a narrative around product launches. Customers now feel like they're part of a mission."

Backers who funded the Mark II robot don't get their own giant robot. The rewards the company offered put them in the merchandise, digital download and live event businesses. For $10, a backer would get a sticker. For $5,000, a backer could control the giant robot to smash a car.

Internet-based crowdfunding also helped connect his company and its efforts with its potential audience, Oehrlein said.

"The pros to this are obvious, you build a stronger relationship with your early adopters because they have something to point to as that start of their involvement," he said. "The cons are, if you fail, your public failure is on display forever, at least on the Kickstarter platform.

"It's big, but not insane when compared to other funding mechanisms like debt or venture capital which are orders of magnitude larger," Oehrlein said.

It's also possible to use crowdfunding to sell financial assets. Called regulation crowdfunding by the Securities and Exchange Commission, the rules allow for raising up to $1.07 million in a 12-month period.

"I would like to see more equity crowdfunding happening," Oehrlein said. "The fees are pretty high and the investments are pretty limited. I'd like to see these laws loosened up a bit to allow more average people to participate more in the investment process."

Businesses considering crowdfunding can research which platforms they would like to use, look at some of the most successful campaigns, decide what to copy and what to do differently, and build a campaign from there.

Crowdfunding might not provide every dime your company will ever need for its first few years of operation, but it can provide the initial infusion that could get your idea off the ground, get it in front of the people who will want to buy your product, and help form a lasting relationship with this market. The people who love your product in the beginning are the ones who will often stand by it, especially if they've been a part of its funding from the start.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5 professionals every business owner should work with

By Jessica Thiefels

ThriveHive

As a business owner, you wear a lot of hats, but sometimes it makes sense to take the hat off and work with a professional. While you may be able to balance your books or research insurance options, your business will likely grow to a point where the time it takes to figure something out yourself would be better spent on other projects.

Not to mention, certain projects might require expertise that you, or your team, simply doesn't have. Instead of wasting your time that's better spent on high-level business tasks and planning, hire an expert to handle those matters. If you're not sure which tasks to outsource, or who to work with, start with these five professionals. You'll be glad to have someone else managing the tedious yet important minutia while you focus on growing your business.

Professionals Every Business Owner Should Work With

1 CPA

Every business, small or large, needs a dedicated financial advisor, specifically for tax purposes. Certified Public Accountants pass rigorous state licensing, which is why it's better to work with a CPA over a general accountant. The IRS also distinguishes between CPAs (an enrolled agent) and other financial professionals (unenrolled agents) for tax filings.

If you're ever audited, a CPA can represent you in the matter. CPAs serve as a jack-of-all-trades financial advisor. According to the Association of International Certified Public Accountants, CPAs can consult on:

- Accounting
- Auditing
- Taxes
- Personal financial planning
- Technology consulting
- Business valuation
- Compliance with tax and other laws and regulations, and
- Other areas of business and financial management

2 Insurance Agent

Every business has a variety of insurance needs, all of which depend on your business, industry, and location. In fact, you may even need more than one type of insurance agent to manage the various needs. Here's a breakdown of what you need to know to find the right insurance agent for your business.

• **Independent Business Insurance Agents**

Independent business insurance agents work with you to understand your unique operations and the types of coverage you might need—for example, property, workers compensation, or product liability insurance. Insurance agents also secure quotes for the appropriate coverage, help you understand and purchase a policy, and ensure adequate protection.

Ultimately, this person serves as one point of contact, so you don't have to communicate with multiple carriers if you have several policies.

• **Health Insurance Agents**

Health insurance agents can help you to navigate the tricky task of shopping for and securing health plans for your employees and their dependents. This is critical because there are many regulations and laws to navigate when choosing and offering health insurance—not to mention a wide variety of plans to choose from.

A healthmarkets.com guide called "What Should You Know About Small Business Health Insurance?"- suggests that the benefits of working with a health insurance agent include:

• Advice: Figuring out health insurance can be overwhelming, and this person can help you navigate and find the best options for your employees.

• Peace of mind: "Working with a licensed agent offers a sense of security because you know you're working with someone who meets the state's regulatory requirements to sell insurance products," suggests the guide.

• Local help: Get answers immediately, rather than waiting for hours on the phone.

3 Lawyer

When you first set up any business, you have to choose your business structure, i.e., LLC, S-Corp, sole proprietor, etc. Depending on which route you chose, you may also need help to file articles of incorporation or state registrations. If you're unfamiliar or feel over your head, a lawyer is the professional to have on your side. If you've already formed a business structure on your own, there are many other common business scenarios, that require legal help.

For example;

• Contracts: Employees, customers, clients, or vendors—all of these contracts should be written by a legal professional.

• Real Estate: Commercial leases are complicated, and often need to be negotiated.

• Intellectual Property: Any business that has creative assets should register their products or services for trademark or copyright protection.

The goal is to research and find a lawyer prior to actually needing one. "You won't need a lawyer for each and every legal issue that comes up in your business," explains FindLaw.com. "But when you do, it's good to know where to find the right one. You [also] may not know you need legal help until it's too late, as attorneys can help you stay in compliance with the law and spot developing legal issues early."

4 Business mentor

Whether you've been in business for years or are new to the startup scene, a mentor can provide invaluable insights and resources, as well as a third-party non-biased opinion. To find someone, look for a mentor in your field that has achieved a high level of success. "Good mentors must be role models and advocates for the mentee," says Martin Zwilling, Founder, and CEO of Startup Professionals.

He also suggests securing cross-generational mentorship partnerships, which is "an excellent way to exchange and compare time-tested as well as new knowledge." Find a leader that you admire, with a track record of success and innovation, and reach out to them via LinkedIn or your mutual connections. Many leaders are happy to share their knowledge and expertise with other business owners, but don't be disheartened if you contact multiple people before you find the right fit.

5 Recruiter

When you're expanding or hiring new talent, recruiting is a task that takes a lot of dedicated time and effort. The average interview process in the U.S. takes 23.8 days and depending on your industry or location, it can take as long as 60.3 days, according to GlassDoor. Recruiters are professional headhunters that can reach a network of qualified candidates and pre-screen applicants for you. A recruiter will handle the entire process and save you precious time. As the final decision maker, you'll only meet with vetted and competent candidates, saving you critical time better spent running your business. Recruiters are also generally paid per position filled, not kept on retainer, so you only pay when you need to hire an employee. For a busy, budget-conscious business owner, this is a win-win.

A business owner can be pulled in many directions, but important projects—like taxes, contract creation, or health insurance—should be handled by a detail-oriented, trained professional. Knowing when to outsource based on your team's, or your own, lack of experience or resources is a smart business move that can save you time and money and ensure your company runs smoothly for many years to come.

How to create, claim, and verify your Google Business listing

By ThriveHive

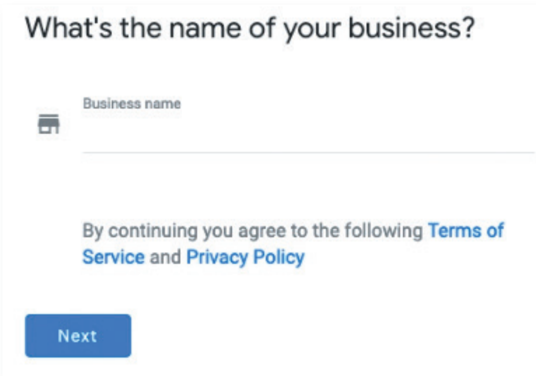
Getting your business verified by Google requires you to create a Google business account, locate your Google Maps listing, and claim that listing. It's a bit of a process, but it is well worth it.

A Google My Business profile is arguably the most effective free marketing tool available to small business owners today. The Google My Business database feeds into Go ogle Maps and Google Search, so if you want to attract more local traffic and improve your online visibility, a Google My Business profile is essential. The process of getting set up and verified on Google can get a little confusing, so we're going to walk you through it the three steps:

- Create your Google business listing (to get on the map)
- Claim your listing (to get the verification process started), and
- Verify your listing (to be able to make edits).

How to Create a Google My Business Listing

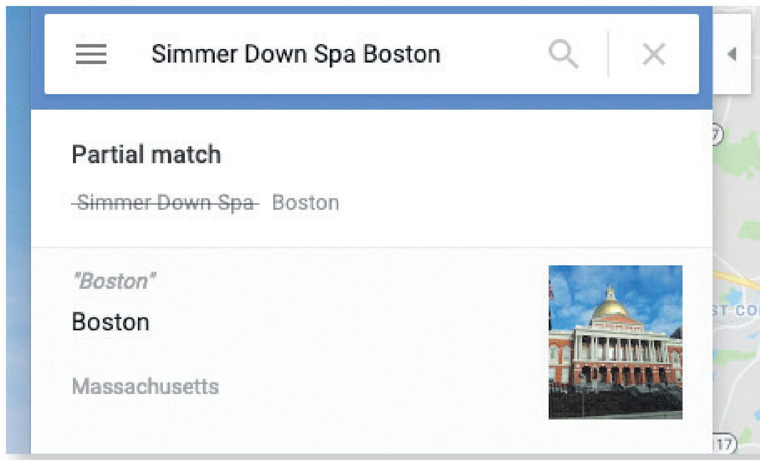
Consumers use Google Maps to get what they need quickly, such as via restaurants, gas stations, and repair shops. Any enterprise can create and claim a Google My Business listing on Google Maps, whether it operates locally or is entirely virtual. You can create a free Google business listing now, and it won't cost you a nickel. To get started, you need a Google business account.



1. Create a Google Account.

First, create a Google account for your business at https://www.google.com/business/. You'll need your business name, address, website, phone number, delivery area (if applicable).

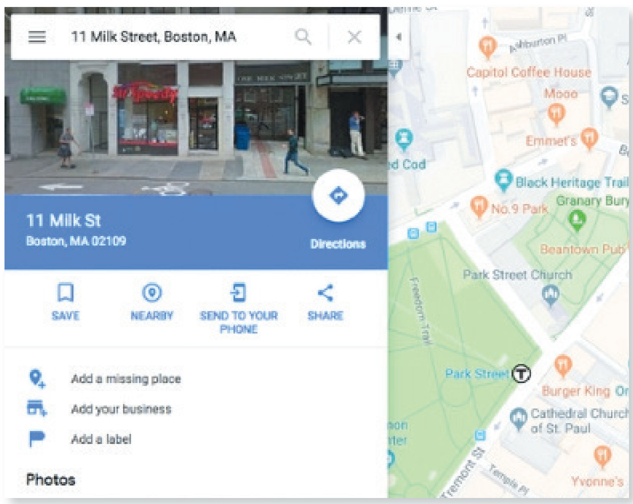
Google will also prompt you to choose a category that best fits your business, but no worries, you can change this later if you like.



2. Go to Google Maps

Now, search for your business on Google Maps. You can either type your business name into a regular Google search and then click on the Maps tab, or go to Google.com/maps and search for your business there.

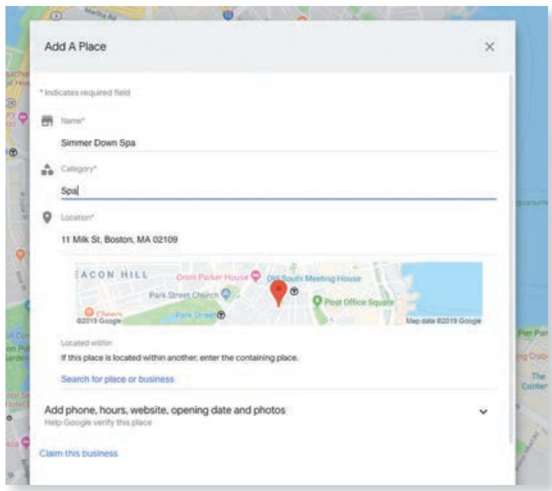
If your business shows up on Google Maps, this means your listing already exists (anyone can add a place to Google Maps) and just needs to be claimed and verified. If this is the case, skip down to the Claim Your Business section.



3. Add your business to Google Maps

If your business is not showing up on Google Maps, you need to add it as a location. Otherwise, Google doesn't yet know you exist! You'll be given an option to create an entry from scratch for your business location in Google Maps.

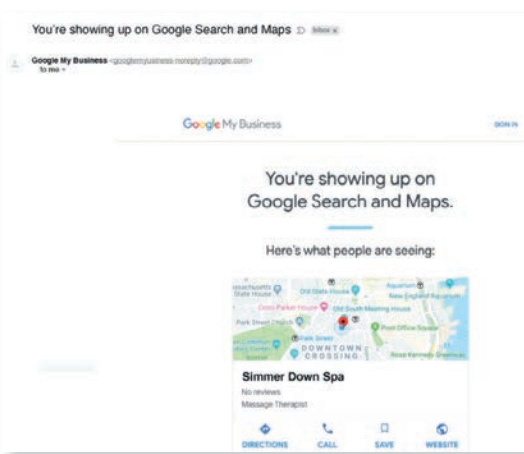
The link to click on will be titled "Add a place", and it will appear in the left panel on the Maps results page. It should look something like the image above.



4. List your physical location

Google will ask you to list your physical location. If your business is purely virtual, create a listing based on where you work—the location of your home, perhaps. If your business has a storefront or office, use that address. When you create an entry, a business listing creation dialog will pop up like the image above.

Simply fill in the information and click Submit.



5. Check your email

Google will then add your location to their listings, usually instantly. Although the addition is instant, your listing won't appear on the map right away. It has to make its way onto the Google search servers first, which can take up to 24 hours. However, you'll immediately get an email from Google informing you that the new listing is active, and providing a link to click on to visit it.

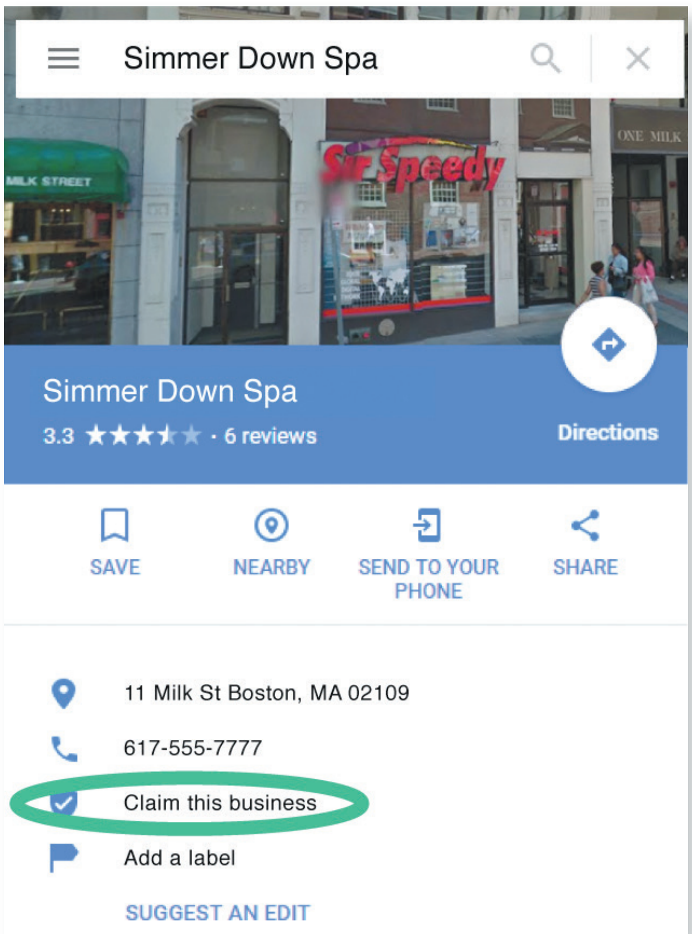
Keep an eye out for an email that looks like the one at left.

6. Go to your maps listing

Click the link from your Google confirmation email, and your business listing should pop right up. Check your listing as a Google Maps place to make sure the information is accurate and complete.

How to claim your business on Google

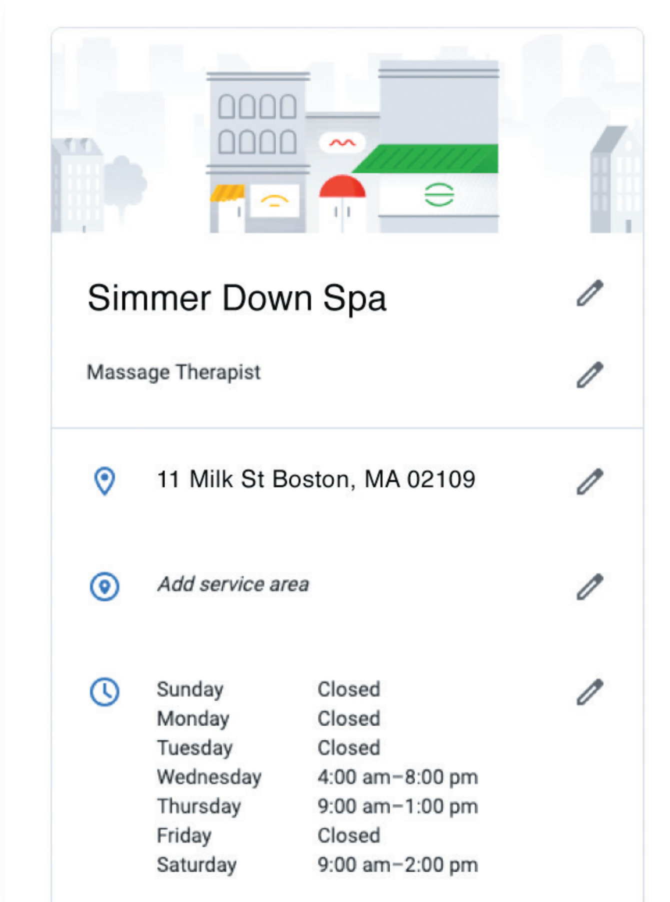
If your business appears in a Google Maps search, this means it is already listed. To gain control over your listing, however, you need to claim it. Here's how to do that:



1. Go to your Maps listing

Click the name of your business on Google Maps, or click the link provided in the email from Google, and a side panel on the map should appear that looks like the image above.

(Note that Google changes the appearance and layout of their pages pretty regularly, so you may have to hunt around a bit, but "Claim this business" is the magic phrase you're looking for.)



2. Click 'Claim this business'

Clicking on "Claim this business" will open a series of pages walking you through the steps of identifying and claiming the business as your own. You'll have the chance to correct the name, address, and contact information for the listing, enter a URL for your company website, tell Google what kind of business it is, and confirm your ownership.

If you are the one who created the listing, then confirming your ownership is as simple as clicking "Claim this business." Assuming you're still logged in to your Google account, Google will recognize you as the creator and immediately validate you, giving you complete control over the business listing. This means you can make updates, edits, and changes as needed. If the listing was created by someone else or added to Google's database from a third-party tool like a business directory, you will have to prove to Google that you are the owner of the business..

How to get verified by Google

If you need to confirm that you are the owner of your business, Google will send you a PIN verification code, which you can then enter online. Depending on the information that Google already has on file concerning the business, you will be able to choose from at least one method of receiving your PIN and confirming that this is your business.

- Postcard to the physical address of the business
- Phone call or text to the phone number associated with the business
- Email to the email address listed for the business
- Instant verification process if the business listing has already been validated in Google Search Console.

Regardless of which option you choose, once you have the PIN you can verify your ownership and manage your Google My Business listing.

Create, claim, and verify on mobile

Are you more of a mobile warrior than a desktop dynamo? Not to worry, Google still has you covered. The "Google My Business" app (available for Android and iPhone via the Google store) will let you create new business listings, verify your existing listing, and manage your Google My Business account all from your smartphone or tablet.

Need help setting up and verifying your Google Business profile?

Creating, claiming, and optimizing your Google My Business profile can be a bit of a process. If you're having trouble, you can always set up a free one-on-one session with one of our experts. They'll answer your questions to help you move through all of the steps and provide recommendations for best practices. https://bit.ly/2LN0drG

Banks have programs to help small businesses through transitions

By Stephen Berberich
BridgeTower Media Newswires

@ IgorVetushko via depositphotos.com

When a small business seeks advice from M&T Bank on selling, merging, or another kind of transition, it might discover that Eleni Monios has just the knack.

"I have been personally a part of this from a very young age," said the bank's market manager for greater Baltimore, Delaware and the eastern shore. Her parents in Baltimore acquired a small business, grew it, purchased real estate and sold it at retirement age, she said. Monios has built on that "valuable experience" and all the parallel experiences during her career, "to be able to sit down comfortably for very significant conversations with our business owners."

Throughout the company, M&T bankers meet "numerous times" to advise small business clients with up to $15 million in sales, typically at their businesses, she said.

"Do they need more capital, new sales people, (are they) looking to buy a competitor, grow their business and what kind of strategy do we need to optimize that transition? These things are coming up all the time," said Monios. M&T Bank is a Small Business Administration leader in the region for new companies, providing more SBA loans than other banks, she added.

Mike Flynn at Eagle Bank of Bethesda, Maryland, has cultivated his knack for advising small business transitions over the past several decades. Flynn said that in general community banks are better at services for small businesses than large banks like BB&T, SunTrust or Bank of America, though they too have commercial lending departments.

"Here, it is not just dollars and cents. We keep a very personal and professional relationship with our clients. It is really understanding their business and being able then to give them good advice," he said.

Eagle is a commercially oriented community bank, separated by that business model from other community banks, which are more "retail" oriented to individual customers with savings, checking, credit cards, etc., said Flynn. "Our customers are small or medium size, privately owned businesses."

He said that most of the time Eagle knows beforehand when a business owner/customer is going to be making a transition. "One of the questions we ask as we meet with each of them periodically to review things is what is your exit strategy."

Waldorf, Maryland-based Community Bank of the Chesapeake also provides similar advice to small businesses transitioning, but often in a more rural and suburban region, said James M. Burke, the bank's president. "If you are a local business trying to finance, we have a vested interest in their community.

"The role that community banks play in their markets to support continued economic growth is a vital one and one that can't be duplicated by the larger banks." said Burke. "When I make a loan to somebody, I see them in Safeway or I will see them in church. That kind of relationship can't be duplicated."

> "Here, it is not just dollars and cents. We keep a very personal and professional relationship with our clients. It is really understanding their business and being able then to give them good advice."
>
> **Mike Flynn at Eagle Bank of Bethesda, Maryland**

If funds are needed in a transition, a business can turn to such conventional banks, an angel investor, or an investment bank, such as SC&H Group of Sparks, said SC&H Capital Director Christopher Helmrath. "Each (choice) brings on certain financial consequences that the owner may not have considered," he said.

SC&H is one of the investment banks used by entrepreneur Ken Malone, principal of Early Charm Ventures, LLC, also in Sparks, who has launched a series of small startup businesses. Three to four years before one of his startups is ready to sell, Malone looks for potential buyers within the industry of a particular startup. His startups are typically in health care or high tech, where he has placed growing companies associated with the University of Maryland, Johns Hopkins University, the U.S. Naval Research Laboratory and other tech pockets.

Other "serial entrepreneurs operate in a similar fashion, such as those who have spun out the many bioscience startups along the I-270 Bio Corridor through Montgomery County. When funds are needed such entrepreneurs often turn to an investment bank, said Malone, rather than a conventional bank. An investment bank would pool all of the investors together as an aggregator to make the transition, he said.

According to Helmrath, "as you go along the compendium of the life of a company, what we tend to do is to ask, 'if you do this, will it achieve the objective.' For example, there are three ways a company can get capital, from a conventional bank, an angel investor or an investment company. Each brings on certain financial consequences that the owner may not have considered (by him or herself)."

He said he has helped current companies, which are already SC&H clients, think of what their startup should be before it is launched. It is a natural extension of the relationship, he said.

I do not provide capital, as a conventional bank may do. But when it comes time to help a small business bring in capital to help a company transition, we represent companies that do that. We find the money, just as a real estate agent will find a new house from the marketplace matching the buyer's needs, he said. "Our advice along the way is 'help me understand what I don't know, or I should be thinking about, so that when I get there I haven't made a mistake.'"

5 surprising stats about disengaged employees

By Leila Zayed

These days, we're hard-pressed to find an employer in disagreement with what is now common wisdom: employee engagement is essential to organizational success. Whether it's customer service, profitability, or employee retention, the canon of data supporting the positive effects of employee engagement has become impossible to ignore. So, it's disheartening to know that the majority of U.S. employees are not engaged when they go to work each day. While we can all agree that it would be better if employees were willing to give extra effort, planned to stick around, and would recommend the company to loved ones, what is the real impact of disengagement? Read on for some astonishing facts and figures.

1. Disengagement costs between $450 and $500 cillion annually

The estimated annual cost of employee disengagement to the U.S. economy is between $450 and $500 billion. On a micro level, McLean & Company has estimated that an individual disengaged employee can cost a company up to $3,400 per year for every $10,000 of salary.

The flip side of the coin is that companies with engaged employees tend to perform much better. According to research prepared for the U.K. government, companies with a highly engaged workforce enjoyed a 19.2% growth in annual operating income. Companies with lower engagement scores had an operating income that was 32.7% lower than those with higher scores.

It's also estimated that companies in the highest quartile of employee engagement enjoy 17% better productivity and 20% higher sales than those in the lower quartile.

2. 67% of employees are either not engaged or actively disengaged

According to Gallup's recently released State Of the American Workplace report for 2017, only 33% are engaged. Furthermore, the findings indicate that 51% are not engaged and have not been for quite some time.

What could low engagement levels mean to your organization? According to the report, if your company is within the lowest 25% in engagement, you could see 69% higher absenteeism rates, 39% more shrinkage and a more than twice as many safety incidents than a company within the highest 25% range of employee engagement.

3. 85% of employees are either actively looking or open to new employment opportunities

Fifty-six percent of employed Americans believe that now is a good time to find a quality job. Additionally, 1 in 3 employees is planning to make a move within the next 12 months.That's not good news for turnover and retention rates.

It also seems that it wouldn't take too much of an incentive to make a less engaged employee leave his or her job. 69% of disengaged employees would leave for as little as a 5% increase in pay. On the other hand, a 20% increase is necessary to attract an engaged employee.

And while more pay may provide the impetus to make a move, money is not always the most important factor that brings them to make that decision. In the book The Hidden Reasons Employees Leave, author Leigh Branham states that 89% of employers believe their employees leave for more money, but only 12% actually do. In fact, the leading reason for an employee's departure is his or her boss.

4. Sixty percent of employees describe the ability to do what they do best as "very important"

Offering a glimpse of what matters most to employees when it comes to considering employment elsewhere, the Gallup report ranks this as the attribute that had the greatest importance. A better work-life balance was next at 53%, followed by greater job security and stability with 51%, and a significantly higher income at 41%.

5. Sixty-nine percent of HR professionals recognize that employee engagement Is a problem

Business leaders know that disengaged employees represent an important issue. 90% of companies agree that there is a significant impact of disengaged employees on their success, yet only 25% have an engagement strategy or plan. This may help to explain why disengaged employee statistics have not changed significantly over the last few years. Those stagnant engagement rates also suggest that it isn't a problem that fixes itself without an action plan for improving it.

It's powerful to know what your employees think! You can identify problems like poor supervision, communication breakdown, and mounting plans to leave your company before expensive turnover affects your business.

Find out how engaged (and disengaged) your employees are when you measure engagement with our survey. http://bit.ly/employeechecklist

6 top tax and bookkeeping books for small business owners

By Kabbage

aremafoto via depositphotos.com

A quick Google search on missed tax deductions will bring up articles listing anywhere from seven to as many as 50 commonly missed tax deductions. Indeed, the tax code's extreme complexity makes it highly likely that small business owners will miss tax deductions that could reduce their obligation, enabling them to reinvest more money in growth and operations.

As a small business owner, you can educate yourself in addition to consulting a tax professional to help ensure that your bookkeeping and tax preparation is well-suited to ensure that you claim all the deductions your organization is entitled to. Below you will find six of the top tax and bookkeeping books for small business owners.

1. Small Time Operator: How to Start Your Own Business, Keep Your Books, Pay Your Taxes, and Stay Out of Trouble

Authored by a certified public accountant, this book is written for the small business owner or self-employed professional. The author covers a wide range of topics including best practices for bookkeeping and taxes, financing, finding a good business location, pros and cons of various business models and more written in clear, easy-to-understand language.

This could be an ideal book for someone who is preparing to open their own business or whose business is still in its early phases, since it provides guidance that can help with many of the decisions that new business owners face.

2) Taxes: For Small Businesses QuickStart Guide – Understanding Taxes For Your Sole Proprietorship, Startup, & LLC

Small business owners represent a variety of business models. This book is an excellent guide for sole proprietors, independent contractors and startup LLC business owners that want to gain a broad understanding of how the tax code applies to their organization. Some of the topics covered include:

- How to keep accurate records
- When and how to handle payroll taxes
- Frequently-missed deductions
- Common tax mistakes small business owners make
- How to handle contact with the IRS

This book is available in print and digital formats and is even available for free to members of Amazon's Kindle Unlimited program. It also has the advantage of being concise and brief, delivering a lot of useful information to small business owners very quickly.

3) Independent Contractor, Sole Proprietor, and LLC Taxes Explained in 100 Pages or Less

Another book that is free to Amazon Kindle Unlimited members and written so that the information contained in it can be quickly absorbed, this book acts as an introductory primer on tax topics as they apply to business; such as:

- Home office deductions
- Estimating tax payments
- Self-employment taxes
- Business retirement plans
- Common business tax deductions
- Audit protection and preparation

The book's author, Mike Piper, is a C.P.A. in Colorado who has published numerous other books on finance, and whose writing has been featured in acclaimed digital and print publications including The Wall Street Journal, Money Magazine, AARP Magazine, Forbes, CBS News, MarketWatch and others.

4) J.K. Lasser's Small Business Taxes 2019: Your Complete Guide to a Better Bottom Line

For small business owners that want to gain a deep understanding of small business taxes, this guide authored by Attorney Barbara Weltman (nationally recognized as an expert in small business taxation) offers a comprehensive look at small business taxes that is up to date with 2016 information. The book is described as a "solution manual for streamlined tax time and substantial tax savings" that will allow readers to:

- Simplify the tax season so they can remain focused on their business
- Reduce tax obligations easily and legally
- Find the answers that are most relevant to their organizations
- Better understand when and how deductions should be taken

5) The Tax and Legal Playbook: Game-Changing Solutions to Your Small-Business Questions

Small business owners looking for answers to specific questions should check out The Tax and Legal Playbook written by CPA and Attorney Mark J. Kohler. This book "answers the leading tax and legal questions facing small business owners, across all stages of business…"

In it you will find information about how to choose the right legal entity for your business as well as under-utilized tax and legal strategies that can generate substantial savings. It also covers common legal scams and deceptions and provides information about how to protect small business and personal assets.

6) 475 Tax Deductions for Businesses and Self-Employed Individuals: An A-to-Z Guide to Hundreds of Tax Write-Offs

With 475 tax deductions outlined as potentially beneficial for small business owners and self-employed professionals, this book might be the ultimate collection to assist in business tax preparation. Read it cover to cover to familiarize yourself with all the deductions that a business could take or consult it when you have questions about specific topics.

Even if you are working with a CPA or tax professional, educating yourself on the taxes and deductions that might apply to your small business could lead to significant savings and help ensure your organization's bookkeeping and taxes are being done according to best practices. What you learn could keep your business out of trouble and enable you to reinvest more of the revenue it generates in growth and operations.

Borrowing can be a tool for small business growth

Advice: Have a clear plan before you borrow

By Chris Barylick
Special to BetterSMB

Over the past several weeks, I've been getting phone calls asking if I'd like to consider a business loan up to $250,000. Because, of course, you're going to take on a loan of a quarter million dollars, plus interest, to a complete stranger you've never met under the most nebulous of terms.

As annoying as those calls can be, it's not because there's no market for it. Businesses often turn to credit for access to cash when they need it. The Small Business Administration also encourages business borrowing by reducing the risk for lenders. As of May 3, the SBA backed $13.39 billion in loans so far this year through its primary small business lending program.

For Fallon Brooks-Magnus, owner of the Oklahoma-based JollyBird Design (www.jollybirddesign.com), which specializes in both home remodeling and custom design, a combination of financial tools was needed to get her business off the ground.

"We found it very difficult to get any kind of funding without having been in business for two years," said Brooks-Magnus. "We considered doing a line of credit, versus a startup loan, versus a business credit card."

These tools yielded mixed results.

'We went with a business line of credit because we got a pretty good interest rate. In the end, the terms weren't great and it ended up not being entirely useful to us," she said, citing that poor credit at the time and a lack of resources to use as collateral pushed her and her staff in new directions. "We had to work hard to create a good product and go from there."

JollyBird's experience with the line of credit changed over time.

"Our banker was a personal friend, so he basically let us utilize it how we pleased," said Brooks-Magnus. After the loan officer changed, JollyBird had to prove its accounts receivable before new funds could be issued, she said. That didn't work as well for the company.

Rachel Estapa, founder of Somerville, Massachusetts-based More to Love Yoga (www.moretoloveyoga.com),

> "I want to stress that having small, clear steps is much more important than a sum of money. If you're not clear on how you'll use it, it'll get you into trouble."
>
> **Rachel Estapa, More to Love Yoga**

which focuses on larger body yoga, wellness, and body-love and launched in 2015, found that the path to a line of credit had even more obstacles to overcome.

"I knew I'd be a boostrapper — my family, while supportive, was not able to help me financially. Also, no banks would give me a business loan as I was starting out, so I really had to be smart about the funds I did have," said Estapa.

"I used whatever funds I had from my day job to fund my side hustle at the time. As it grew and developed more, I was clear about my next goal — go to yoga teacher training. I crowd sourced (via Indigogo) to pay for it and also, got scholarships from my yoga school, Kripalu," recalled Estapa. "As I increased my revenue, I always took a percentage out to pay myself, operating expenses, tax, and savings. I won a pitch contest with Bank of America and MasterCard for $25,000. From there, I opened a new line of credit with Bank of America, who supported my growth."

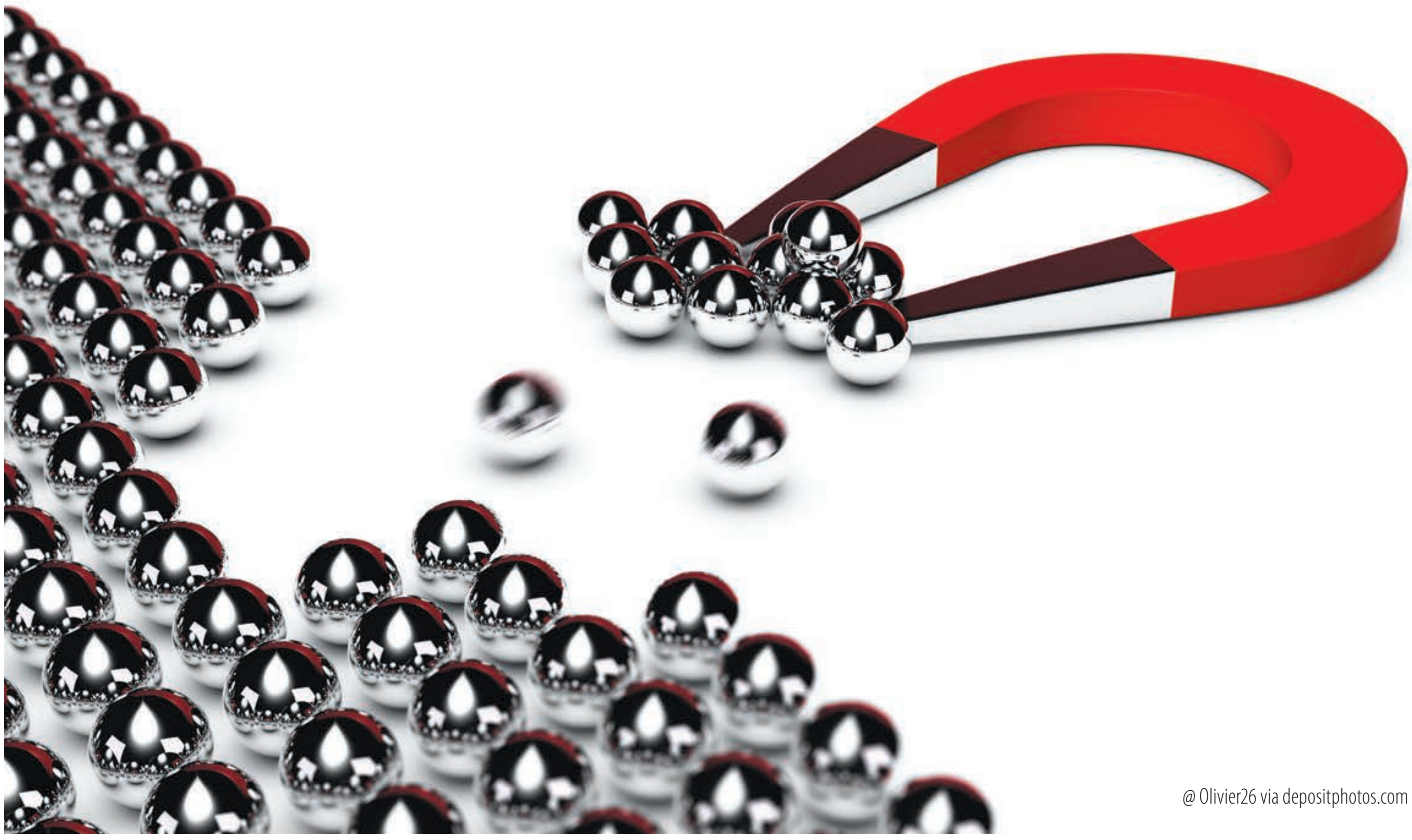
Looking back, Estapa cited the pros and cons of taking on a conventional loan with which to start a business.

"Pro: you get funds!' said Estapa, pointing out that as your business grows and you show that you're able to manage smaller amounts of credit, it opens more doors for you. Estapa also noted drawbacks of business borrowing: this money is not a windfall, you need to return the money with interest, and that debt can feel overwhelming, especially if the business is in a slump.

"That's more a mindset — how you manage your revenue and expenses — but in the moment it can feel like a lot," said Estapa. "I want to stress that having small, clear steps is much more important than a sum of money. If you're not clear on how you'll use it, it'll get you into trouble."

Building a prospect list

By Katie Liesmann
and Christopher Teague
W-Systems



@ Olivier26 via depositphotos.com

Whether you are building a new sales team or expanding an existing operation, finding and reaching new customers is one of the most difficult challenges that your company must address. Even the best of your salespeople will sometimes struggle to find quality leads that are actually interested in what they're trying to sell. Cold calling yields some results, but it requires an inordinate amount of luck and good timing not only to make contact but also to land the customer.

Rather than wait until the sales pipeline is dry, your company can be proactive in generating leads. There are a few different approaches to this process:

- Building lead lists organically
- Purchasing lead lists
- Subscribing to lead services

No matter the direction you decide to approach in building your list, each has its own set of advantages and disadvantages. Nothing can beat leads that have been gathered by direct contact with your company and cultivated organically, but this approach requires an immense investment in creativity and time. Let's look at some of the quicker options for buying from and subscribing to list services.

Purchasing lead lists

Over the past few years, lead generating services have modernized to allow you to segment on almost any demographic data you can think of--from industry to the types of technologies they use. Once you have determined the purpose of the list you are considering for purchase, the type of information needed may vary based on the kind of contact you need to make. Most lead providers offer a list creation tool that allows users to move through various filters and criteria, including contact information. The list offered for purchase is then priced according to the level of filter criteria and the number of individual leads provided.

Subscription services

Much like companies offering lists, subscription services can generate leads for use in sales and marketing campaigns. The difference is that you are signing on for a time period to use the services instead of a one-time list. Dollar for dollar, these types of services deliver the most value because finding and reaching specific people will always yield better results than casting a wide net.

Choosing an option

Your approach will depend on your need, budget, and level of urgency. Regardless of the direction you choose, however, there are some basic things to determine before diving in.

How quickly will your team be calling on the leads? Data can "spoil" quickly as people join and leave companies, so make sure you're only purchasing leads that you have the capacity to contact.

How are you distributing these leads to your team? Ideally, you want a service that integrates with your CRM so that you can automatically push the leads to your CRM so that your sales reps are more likely to track their outreach. At the very least, search for a service that provides clean and complete leads that can easily be loaded.

How will you be contacting the leads? Make sure your list includes and prioritizes the data you'll be using to contact each lead. If it's a mailing list that you need, look for complete addresses and postal codes. If it's email addresses, check that they don't include Gmail or other generic email addresses.

Do they have a customer service channel? Any service you choose should offer a feedback option, through which you can ask for credits or refunds for any "bad" or incomplete leads that you receive.

Popular sources for purchasing leads

- **SalesGenie** (www.salesgenie.com)

SalesGenie offers both list generation and subscription services geared toward sales organizations and larger companies with their pricing models following that formula, which may place them out of reach for many small to medium business owners. Because their subscription model is complex and can be difficult to understand, make sure you have contacted them by phone and have conducted enough research to understand what you are getting by signing on with them.

- **Melissa Data** (melissa.com)

Melissa Data offers a variety of services that focus on data quality and list building. Their append services (you send them a list and they use their database to add extra information for each individual) are very popular among marketers and other organizations that want to gain a more complete view of their current or potential customers. In terms of lead and prospect lists, Melissa offers plenty of segmentation choices, from demographics/behavioral data (Nielsen P$ycle) to geographic and financial.

- **Experian** (www.experian.com/small-business/sales-leads.jsp)

Experian, a well-known consumer credit company, offers leads and sales lists that can target consumers from almost any direction imaginable. Because they gather so much information about so many people in the United States, they are able to generate extremely accurate and up-to-date lists. For sales and marketing professionals this kind of quality and targeting ability is of great value.

Popular subscription services

- **ZoomInfo** (www.zoominfo.com)

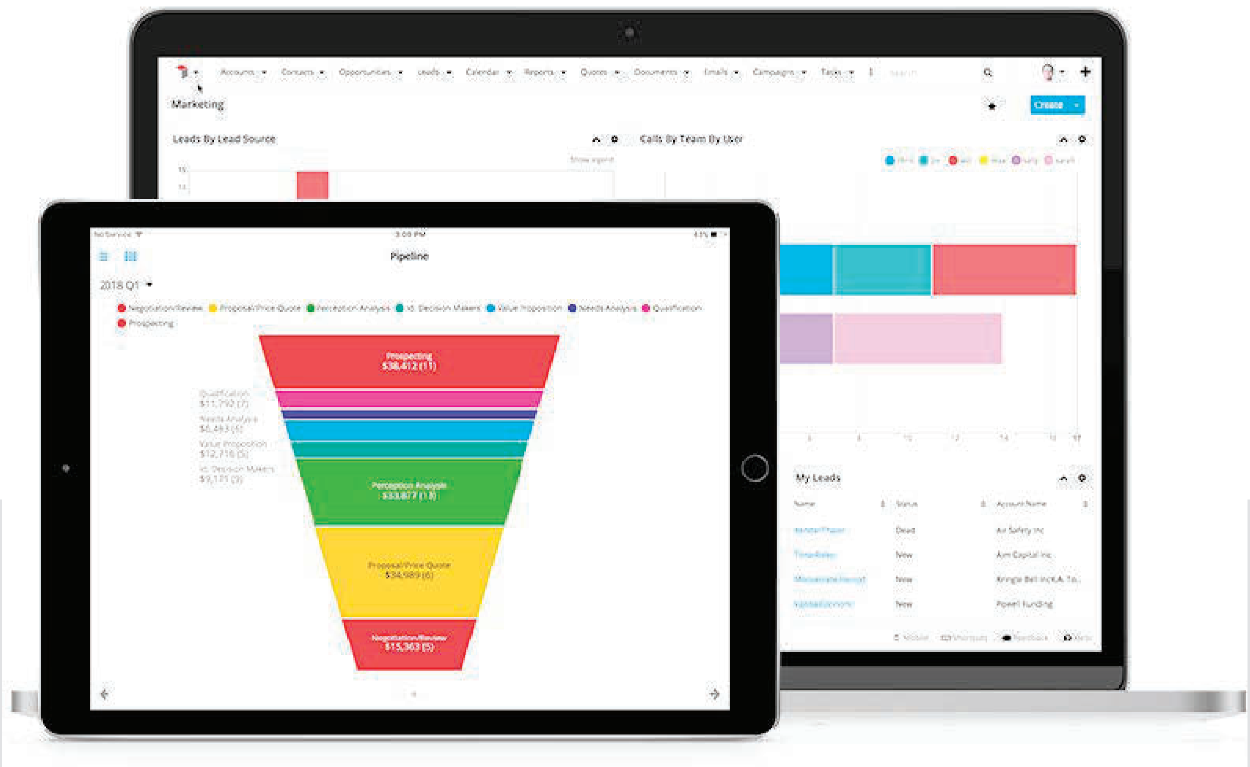
This company has been around for nearly two decades. Though it once offered its services for free by installing an Outlook email plugin, Zoominfo's pricing has changed to tiered subscription levels. With Salesforce and LinkedIn connections, as well as a large and well-vetted contact database, ZoomInfo is easy to use, fast, and very accurate. While the pricing may place the service out of reach for some businesses, ZoomInfo is the benchmark for contact information search tools.

- **D&B Hoovers** (www.hoovers.com)

Where ZoomInfo sets the bar for finding contact info, Hoovers (along with Dunn & Bradstreet) basically owns the market for business information. Powered by a database that contains information on millions of companies, Hoovers offers a powerful segmentation and list building tool that allows users to choose highly-targeted criteria and find their ideal prospect information within that group. This service is also offered with a CRM integration, which can make it a popular option for companies needing to push leads out to sales teams that could be spread across the country.

Concluding Thoughts

These lead generating services aren't for everyone. Depending on the size of your team, what types of sales reps you have and your overall sales goals, it may make more sense for you to stick with traditional, organic lead generating efforts. If you do decide to purchase leads, make sure you do a post-mortem to evaluate how it went and how you can improve it for next time.



Important to think about retirement on first day of job

Let the savings start piling up as early as you possibly can

By Patti Singer

BridgeTower Media Newswires

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It's not exaggerating to say that your financial plan for retirement begins the first day on your first job.

"Starting younger has been proven time and time again that it's the easiest way to have a successful retirement," said Susan Herendeen, senior fiduciary officer for ESL Trust Services LLC. "… One of the things I like to remind individuals is you could potentially spend as many years in retirement as you were working."

Actually, your post-work life could be longer than the time you spent on the job.

Slightly more than one-third of older workers retired earlier than they thought they would, according to research published in February by the Center for Retirement Research at Boston College. Health problems – whether they struck the worker or required the worker to care for a family member – was a major reason for leaving the workforce. Losing a job and not finding a new one was another important factor in why 37 percent of older workers called it quits ahead of schedule.

Having a plan that takes into account the possibility of sudden early retirement is crucial, said certified financial planners.

"You plan for the unexpected and you make choices around that," said Herendeen. "You're problem-solving for wants and needs."

The best time for figuring all that out is when you're not under pressure.

"Doing that when you are in an unemotional state, you're being thoughtful about the plan and the process and you're not in this situation where you're being forced out of a job and losing your income, I think that's the key," said Jay Friday, head of Wealth Management Planning for Citizens Bank and a certified financial planner. "…You're thinking about all the scenarios. One of those is maybe I could lose my income."

With so much uncertainty in employment and the stock market, having a plan lets you control what you can, said Dana Vosburgh, director of Family Wealth Management at Manning & Napier. The plan starts with identifying your goals – or what you think you want – for retirement and tracking spending through your working years. "It's hard to make a plan if you don't know what you're spending."

Vosburgh said many people, regardless of their income, have little idea of where their money goes. "It's important to have a budget in place for anybody at any time, certainly from a retirement planning standpoint as you're working toward retirement."

Generally in retirement, people need about 80 percent of what they did when they worked to live a similar lifestyle.

"If you have a good idea of what you're spending now and how you feel about that, that can give somebody a good ballpark figure to work with as you're doing the planning," said Vosburgh, a certified financial planner. "Things might change. Then you adjust the plan."

> "You plan for the unexpected and you make choices around that. You're problem-solving for wants and needs."
>
> **Susan Herendeen, senior fiduciary officer for ESL Trust Services LLC**

The specifics of your plan will, of course, depend on your goals. "Goal-setting is to give people freedom and choices," said Herendeen, a certified financial planner. In general, you should be saving money in a variety of tax-deferred and taxable accounts, so that should you find yourself out of work, you can get at your funds without having to worry about penalties.

You can plot your plan by age or by where you are in life. Here's what the experts suggested:

Starting out in your 20s and 30s: College debt likely will be a factor for many years, but experts said that obligation shouldn't derail long-term savings goals. They said studies have looked at paying debt in relation to building savings, and the thought is that you should try to put enough into your 401(k) to get your company's matching funds. "It's free money they will give you," Friday said.

A certified financial planner can advise you on paying off your loan as aggressively as possible while socking money away. "You want to look at everything and put some money to the liability," Herendeen said. "You don't want to throw everything at it."

It's not so much what your portfolio looks like at this point, just that you are building one.

Midcareer in your 40s and early 50s: You may have residual college debt. You also may have your own family and be starting to care for aging parents. Friday called these the tweener years, and they can be financially demanding. However, they also can be peak earning years and can give you momentum. One adviser suggested that in addition to fully funding a company-matched 401(k), put money into investment vehicles that won't ding you for withdrawals before a certain age.

Vosburgh said that business owners should be thinking of how they will fund their retirement and assess their savings plan. "It's most likely that they put so much time and effort into the business that they haven't saved elsewhere. … My broader point is that things can become more sophisticated and people might have some big assets they have to plan around, and you want to account for that in your retirement planning."

Countdown to retirement in 50s and 60s: Friday said that around age 55, people seriously start thinking about retirement and what those years will look like. This is when your plan picks up nuances, and you adjust specific investments as goals get closer to reality. If you have various accounts and insurance policies, it may be time to get organized. It also helps to have a continuity plan in case something happens to you and your spouse or children need the paperwork.

If you haven't been much of a saver until this point, you still can plan and budget for a retirement that's within reach.

Besides figuring out the finances in your 50s and 60s, you also have to come to terms with the notion and emotion of retirement. "It's where you start to have a new concept," Vosburgh said. "You're moving from a period of time where you're saving and you're moving into a period of time where you're using all that money you saved. It's a hard transition."

Book review:

Complexity crushes organizations. This book tells you how to 'Simplify Work.'

By Jason Whong

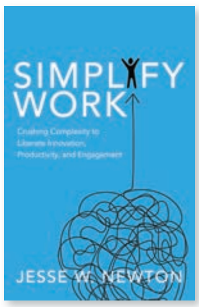
Is your organization paralyzed by rules, processes and other things that slow it down and prevent innovation? Have you ever wondered how your business became so complex? Have you spent hours on tasks, knowing you've done work, but not feeling like you've accomplished anything?

Jesse W. Newton, author of "Simplify Work," has some suggestions. Simplify your business. Design a better way of doing things. Focus on what matters most.

It's fitting, then, that Newton's book has only five chapters, and is short enough that you can read it on an airplane or train ride and perhaps still have some time leftover to ponder how you're going to simplify your business and your own life.

Newton is the founder and CEO of Simplify Work LLC, a consultancy that specializes in reducing complexity at organizations. He lays out the problem and his proposed solution in chapter 1: "Bogged Down in a Spaghetti of Structure, Process, Systems, and Rules." These days, market developments move so quickly that

Simplify Work
Crushing Complexity to Liberate Innovation, Productivity and Engagement
• By Jesse W. Newton
• Morgan James Publishing. 174 pages. $16.95



businesses must be more nimble, and workers must use their talents on the highest priorities for a business to keep up, Newton argues.

In Chapter 2, "Using Design Thinking to Simplify Work," Newton examines the human-centered approach to change as a tool for simplifying an organization. Rather than taking a strictly analytical approach, designers look at problems through the eyes of a consumer or a worker. It makes sense to focus on how to enable workers to do their best work on the most important business priorities, because machines are taking over low-value, repeatable work, he says.

Newton's process for simplifying an organization through design thinking is itself expressed simply: it has only three steps. The first, empathizing and illuminating, requires more listening and learning about how your organization enables work. By asking great questions, the problem-solver can unlock the reality of how an organization operates. Newton recommends staying in that phase for as long as possible, then looking for patterns in the information collected. Next, consider the top five opportunities for simplification, with an eye on how much they would impact performance and how easy the change would be to implement.

The second step, ideation, involves brainstorming on how to solve problems. The team should agree on core principles and objectives, and work in a collaborative process. Having people with different backgrounds can help fuel innovation. Newton recommends looking for solutions that target a root cause of things that get in the way of peak performance, and brainstorming how to reduce and eliminate them. Once the top three to five solutions are chosen, the team can move to step 3, prototyping and iterative implementation. By rapidly testing solutions and capturing feedback from the tests to improve the solutions, your organization can reduce the risk of major failure, he says. Newton also advocates using behavioral economics and neuroscience in change management to help your organization boost adoption of new ways of working.

Chapter 3, "Common Simplification Focal Areas," identifies common sources of complexity in organizations, and some tactics that can help target them. "Chapter 4, Simplify You," is a plan for how you can live simply, so you can take control, be more productive and be a happier person. And "Chapter Five, Your Invitation to Simplify Work," is so simple it needs no explanation beyond its title.

If complexity and its associated negative feelings are your organization's problem, "Simplify Work" may give you the nudge you need to work on putting the happiness back into your workplace.

Book review:

How to have business success in computer-driven world? Try being an 'Algorithmic Leader.'

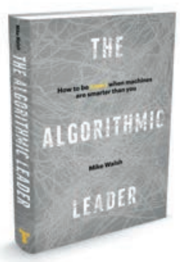
By Jason Whong

The world is now increasingly dominated by algorithms, processes or rule sets that make calculations that affect real people. When you see digital advertisements that appear to be targeted to your interests, an algorithm chose those ads for your. When entertainment companies are deciding which projects to fund, an algorithm helps them pick a winner. When an airline can't find a volunteer to give up their seat on a flight, an algorithm does that, too.

As computers increasingly make decisions, survival doesn't mean you need to be smarter than machines, says Mike Walsh, author of "The Algorithmic Leader." Rather, you need to know what it takes to be smart, to transform yourself and your business into something new.

Walsh, the CEO of a firm called Tomorrow, aims to give clear advice to leaders who want to harness the power of AI for their businesses. He argues that every company is an algorithmic company, whether it

The Algorithmic Leader
How to be smart when machines are smarter than you
• By Mike Walsh
• Page Two Books. 256 pages. $25.



knows it or not, and that the algorithms are inescapable.

Walsh organizes his book in three parts. Part I, "Change Your Mind," encourages readers to consider what the future will look like with stronger, more robust algorithms, then focus a business on being dramatically better than alternatives, rather than marginally better. By thinking about problems in ways that computers can be applied to solve them, and by embracing the increase of uncertainty, a leader can set a company up to find unexpected correlations and capitalize on them.

Part 2, "Change Your Work," is a guide to preparing the people in your business to work in the AI environment by giving them principles to adhere to and the freedom to work without fear. Follow that up by designing work: keep asking whether the approach to work is the right one, and then use automation to find the new jobs that were hiding inside older ones, Walsh advises.

Part 3, "Change The World," is about making sure your future-ready business does "the right thing" in the future. By sticking to a moral code and remembering to ask why computed results are as they are, a company can guard against automating bias at scale. The companies that will succeed most in the algorithmic age will understand the complexity of human behavior and leverage computers for individualized experiences, Walsh says.

One recommendation Walsh has for algorithmic leaders is to build an "algorithmic brain trust." He uses the example of a Japanese e-commerce company, Rakuten, for how to start one. Rakuten, which has 30 million customers and also has 12 million users of its credit card, lives on data.

The company wanted to be more selective about the way it marketed products to its customers, and planned to use algorithms and machine learning to get that right.

Each division of Rakuten has its own chief data officer, and each quarter, the chief data officers share with senior leaders how they plan to improve their use of data, as well as what new data initiatives have been working. The intent is to get business and technology leaders onto the same page so they can look for new patterns and look at whether one division's approach might work well in another division.

Another principle Walsh raises is to focus on massive, rather than incremental growth. Too often, he says, a digital transformation is merely digital incrementalism. Industries that are powered by data and algorithms are often in a "winner-takes-all" market, he says, so preparing your business for the algorithmic age can set you up to be that winner.

Our **BetterSMB** publications reach over 420,000 readers across the U.S. and share helpful, actionable ideas to help small and mid-sized businesses and firms operate more efficiently. In this issue we'll share ideas that businesses can implement to increase employee engagement and satisfaction, maintain an inclusive culture and ensure that they are hiring the right people.

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