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# PEP PROFIT & EXTREME PERFORMANCE

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MEASURING FOR SUCCESS



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## *About the Author*

A few years back, a business associate asked me to describe my business, and/or my life, in three words. Since my life IS my business, the first thought was that I can satisfy both questions with one answer, thus meeting my need to always be efficient. After further thought, it struck me that it could be simplified even further, and answer both questions with one word. That word is: **Inspirational**.

Long before my speaking career began, and many times without knowing it, my conversations with friends always seemed to inspire them. As the years rolled on, more and more feedback from business associates and friends indicated a natural tendency to always speak from an inspirational base.

Public speaking has always been a personal goal, starting in the early school years and intensifying through my adult years. This probably grew out of my love for good conversation. My friends tell me that I will speak with a dog in a hat. And that's funny because I have had conversations with a dog in a hat on more than one occasion.

Another funny thing happened to me on the journey to a public speaking career. It became apparent that as my gray hair increased so did the opportunities to speak with an audience. It seems audiences equate gray hair with wisdom. A word of caution here for those who may want to add some gray, too much and you are just an old man trying to have a conversation with a very small audience.

My life has been blessed in many ways; with regards to public speaking, there have been many smart, experienced and generous people willing to share their life stories with me. To that, add my own life experiences and you have an individual with lots of real life stories to share with the audience.

When asked to speak my message is encapsulated in personal stories from experiences and conversations shared with friends as one travels through life. It has been said that I know a little about a lot of things - or just enough to be dangerous - with

funny, serious antidotes to engage the audience and help them retain the message.

As I write this, it occurs to me, public speaking is really sharing good stories that address the desires of the audience. So, a good story teller always wraps the subject matter in a warm blanket woven from the threads of inspiration.

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## ***Bank Robbers***

*“Trust Us”*

Many businessmen and -women have difficulties finding a good financial partner. The reason: lots of banks lack integrity! This is a really good story about how your friendly, neighborhood bank has the potential to ruin your company. During my 15<sup>th</sup> year of running a small business (consisting of 3 to 5 people depending on demand at the time), the decision was made that in order for the business to grow, it needed more “horse power.” In other words, it became evident that we needed to buy, or merge with, a larger company possessing synergies that fit with our company history, goals, and abilities.

A new business plan was drafted, and the task for shopping for the right company and the right bank with the ability to broker a Small Business Administration loan was set in motion. Within a year and a half we located several companies in various parts of the United States. We decided to make an offer on a small manufacturing firm located in central Pennsylvania. This company was attractive because manufacturing capacity was under utilized, and it was stuck in an old market. This was a perfect candidate for retooling and shifting to address different - and more profitable - markets.

The business plan was submitted to the local SBA bank, which promptly rejected it. So the decision was made to move on and continue the search. Within a six-month period, the SBA lender contacted us and stated they would approve our loan upon the condition that all of our assets (company and personal) would be turned over to the bank as collateral. Being an unacceptable condition, our response to the bank was that our business plan was a good plan that stood on its own and we had the ability to turn this small company around. The bank was

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*Review all bank statements for unnecessary fees; they have a way of appearing without your knowledge.*

made painfully aware that unless someone purchased it, the small company would, eventually, go into receivership, and the only action available for the bank would be a sale of assets at an auction. Once again we moved on.

Again, the bank contacted us, this time saying they would approve a loan that was \$60,000 short of the cash required as outlined in the business plan. The first thing that went through my head was that old saying, “Banks will lend you just enough money to go out of business.” The bank was willing to loan the money based only on the evaluation of the company and its current assets. The \$60,000 was the investment required to save the company by retooling it and shifting it to a new market. Since the bank was willing to loan most of the money based on the merits of the business plan, with only the machinery as collateral, the decision was made to go through with the deal and raise the \$60,000 some other way.

At the closing, it was hard for my attorney to understand the concerned look on my face. After all, purchasing a company and closing a deal is usually a time of celebration. The concern acknowledged the fact that our little company, which had been profitable with no debt, had now purchased a “sick” company with a \$60,000 shortfall. Since most companies are an extension of an entrepreneur’s personality, it felt like starting a venture with one foot in the grave.

Applying the principles of “adapt, improvise, and overcome,” we managed to locate \$60,000 and were off and running. Our little company had purchased a larger company, although still a small business, but with the potential to exceed 125 employees. The immediate challenge to survival was to land a large contract within the next 90 days.

The opportunity to bid on a multi million-dollar long-term contract came our way, and we worked hard to successfully land the account. Now, with the contract in hand, we had to ask the bank for a line of credit - to the tune of \$150,000 - to allow us to process the orders. Here’s where it gets a little humorous. Our tiny, neighborhood bank had no idea who our client was and said they would have to research the company. This was funny because our client was a \$5.5 billion corporation with a global

*Beware! Bank mergers and acquisitions most often have a negative impact on small businesses.*

presence known to everybody in the industry, except to this little bank. Less than 24 hours later, the bank approved our line of credit.

When dealing with banks, one must remember the bank will only strike a deal that always favors them; they will control the cash flow. So, the terms of our line of credit contract stated the checks from our client would go directly to our bank. The bank would then divvy up the money and charge us a handling fee, which was fine. The factory quickly ramped up, and employment went from 9 people to 31 people; everybody is happy.

Then one day, a large bank gobbled up our little neighborhood bank, and the same bank executive that approved my line of credit appeared at my office to introduce me to his new boss who demanded my line of credit account be paid immediately. Otherwise, the contract would be canceled. It would take \$80,000 to keep this line of credit intact with the new bank - \$80,000 my company couldn't spare. So a deal was made that a check would be drafted for \$60,000 and, within 45 days, another check drafted to the bank for \$20,000, with the bank manager's word that this would keep my line of credit intact. It would also show the new owners we had the ability to pay down our line of credit as outlined in the contract. Upon receipt of the money, the bank promptly canceled the line of credit; so much for the honesty of the bank managers. Needless to say this caused my blood to boil. Immediate action was required to stay in business; what would that action be? What were my options?

We needed money to purchase materials to fill our orders, and we needed it quickly. Here is where the principles outlined in the chapter on capitalization were put into play. A list of my resources revealed that our customer had awarded us the title of *Vendor of Choice*, meaning our performance, quality, and delivery of product exceeded all of their standards and we should be considered above other new vendors for new business. Thus the decision was made to leverage my vendor of choice status with our customer. This is very risky, because we would have to break an old business rule that says "never air your dirty laundry with your customer."

*A wealthy investor walked into a bank and said to the bank manager, "I would like to speak with Mr. Reginald Wentworth who I understand is a tried and trusted employee of yours." The banker replied, "Yes, he certainly was trusted. And he will be tried as soon as we catch him."*

We had to take the gamble, so we told our story about the bank to our customer, and our customer's response was both humorous and shocking. My contact responded with "Why those sons of \_\_\_\_! Give me a few hours to take action."

I said my goodbye with the fear that the action that the customer was about to take could severely impact our long-term contract that we had worked so hard to keep.

True to his word the customer called me back and stated that they would use their purchasing power and ship the steel and other materials necessary to meet their needs directly to our plant. We would then invoice them for the difference, which would be the value added. This was great, and it turned out to be a much better deal for us because they were a very large corporation that purchased steel at such high volumes they received a discount our little company could only dream of matching. They were kind enough to pass that discount along to us, resulting in a nice increase in our profit margin.

So, we were back in business. Within a few days, truckloads of steel were showing up at our loading dock. The trucker would drop off the raw materials on one trailer and pick up a second trailer loaded with finished goods. Two to three times a week, these trucks would drive right by our little bank. Here is where it gets really funny. It didn't take too long before the same two bankers – the ones that lied to me about the line of credit - showed up at my office, curious as to how we were paying for those truck loads of steel driving by their bank. They wanted to reestablish our prior line of credit so the money would flow through their bank.

They never made it past the entrance way to my office. After bursting out laughing, they were given less than three minutes to leave the property.

Several months after my encounter with the "bank robbers," a friend of mine contacted me with the exact same situation, searching for advice. Without hesitation, he was told to counter the bank's action with the threat of bankruptcy protection. As expected, my friend's response was that he wanted to avoid bankruptcy at all cost, and the wager was made that the bank would back down, and that's exactly what happened. Interview

*Finding a good bank for your business is almost as challenging as finding a good IRS lawyer.*

and qualify the potential banks on your list. Have them seeking *your* approval rather than the other way around.

Get references from them, and always deal from a position of power.

*Banks are in the business of lending money and generating profits from fees, and that is the extent of their business knowledge. They know very little about your business.*



*Resilience: the ability to fail forward.*

*The recession of 2007 – 2011 provided me the time to write this book containing lessons learned, and in doing so, saved my company.*

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With over 25 years experience in the industrial manufacturing arena, Jim Cendoma is recognized as a visionary leader and change agent who firmly believes that "with the right team, all goals can be realized". Jim is the founder and principle of Sterling Innovations Group, specializing in the formation of strategic alliances to advance business through innovation.

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Jim enjoys living the lifestyle he practices as a professional, applying the principles of Lean (waste nothing) throughout his personal Life. Often introduced as a "Serial Entrepreneur", Jim is the host of talk radio program Risky Business, has launched several companies and has served as an advisor for companies ranging from Fortune 100 to Fortune 500.



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"Entrepreneurship is a journey where everything changes along the way. On that journey a "Road Map" of guidance can make all the difference in one's success. Jim's book is that guide, with insight only true experience can bring to the reader".

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- Michael J. Cendoma, Son of the Author, Founder and President of Sports Medicine Concepts, Inc.

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