

Course title: Creating Innovative Business Models

Lecture 9. Raise the right financial capital

PhD. Kamoliddin Klichov

Learning Objectives, cont.

- Identify some ways to manage cash flow in terms of managing costs and potential income.
- Identify ways to seek out expert technical assistance to improve cash flow management.

Introducing Bob and The Wired Cup

Bob's case begins on page 4 in your Participant Guide.

- The Wired Cup café has had a great start.
- Bob faces some cash flow issues and needs to juggle his priorities.
- **The good news: Bob is thinking ahead and he has great advisors: you!**



Introductions: Where are you on the cash flow continuum?

Beginner

**Intermediate: I know
some, still have
questions**

**I'm an expert (and
still have questions)**

Cash Flow Continuum

Opening Balance Sheet for The Wired Cup

The Wired Cup				Year 1 Opening Balance Sheet			
Assets				Liabilities			
Current Assets:				Current Liabilities:			
Cash		\$	5,000	Bank Note	\$		3,371
Accounts Receivable		\$	-	Accounts Payable	\$		-
Pre-Opening Expenses				Long Term Liabilities:			
Accounting		\$	250		\$		16,629
Advertising		\$	500				
Bank Charges		\$	350				
Cable/Internet Services		\$	200				
Insurance		\$	2,000				
Ingredients		\$	3,500				
Janitorial Supply		\$	75				
Lease		\$	1,350				
Legal Fees		\$	2,500				
Licenses/Fees/Permits		\$	1,500				
Payroll		\$	2,400				
Payroll Taxes		\$	360				
Telephone Services		\$	150				
Utilities		\$	365				
Total Current Assets			\$ 15,500	Total Liabilities			\$ 20,000
Fixed Assets:				Equity			
Kitchen Equipment		\$	9,000	Owner's Capital	\$		30,000
Lease Hold Improvements		\$	18,200				
Office/Techn Equipment		\$	2,300				
Total Fixed Assets			\$ 29,500	Total Equity			\$ 30,000
Total Assets			\$ 50,000	Total Liability & Equity			\$ 50,000
Assumptions: Loan \$20,000 5 years 14.54%; Payroll 3 workers \$10/hr = \$30/hr * two 40 hr. weeks = \$2,400							

A Few Notes About Debt

- It takes effort to obtain a small business loan.
- Your credit score will directly influence your ability to secure a loan.
- Talk with a bank's commercial loan officer before you need the loan.
- Other modules in this Money Smart series can help!

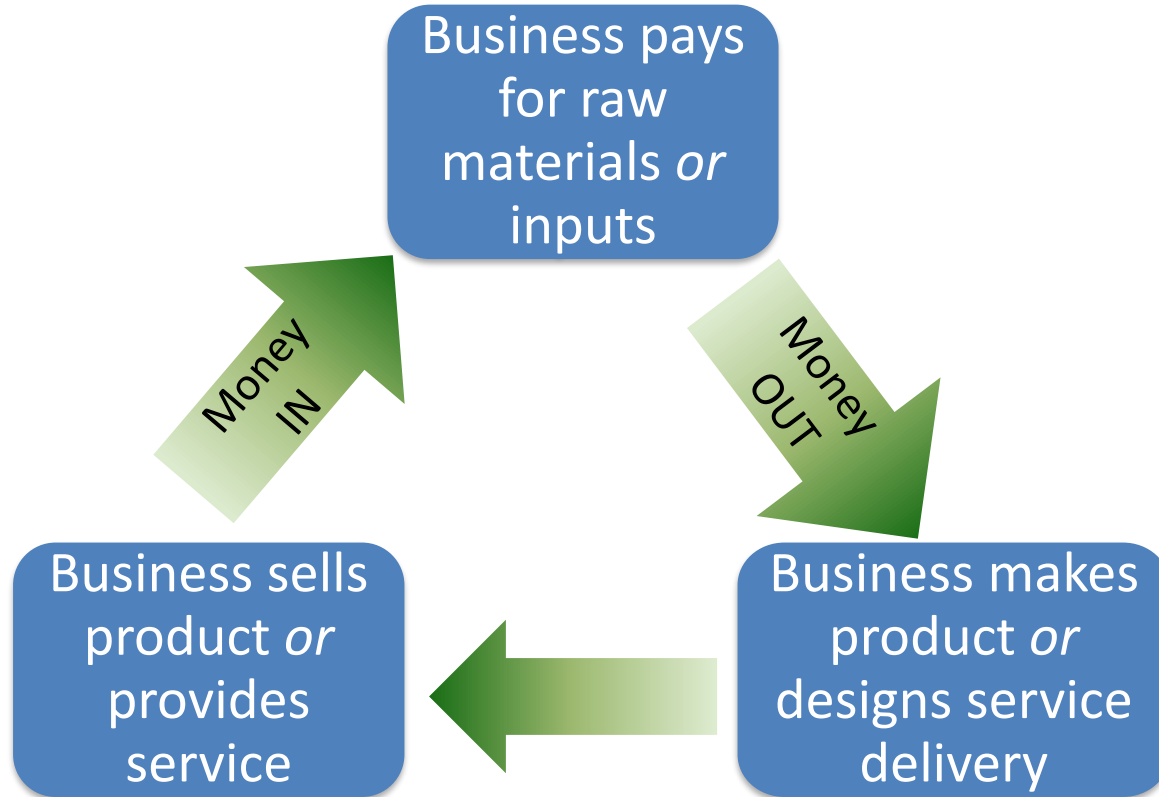


Three Views of Cash Flow

- Cash Conversion Cycle
- Cash Flow Diagram
- Cash Flow Statement



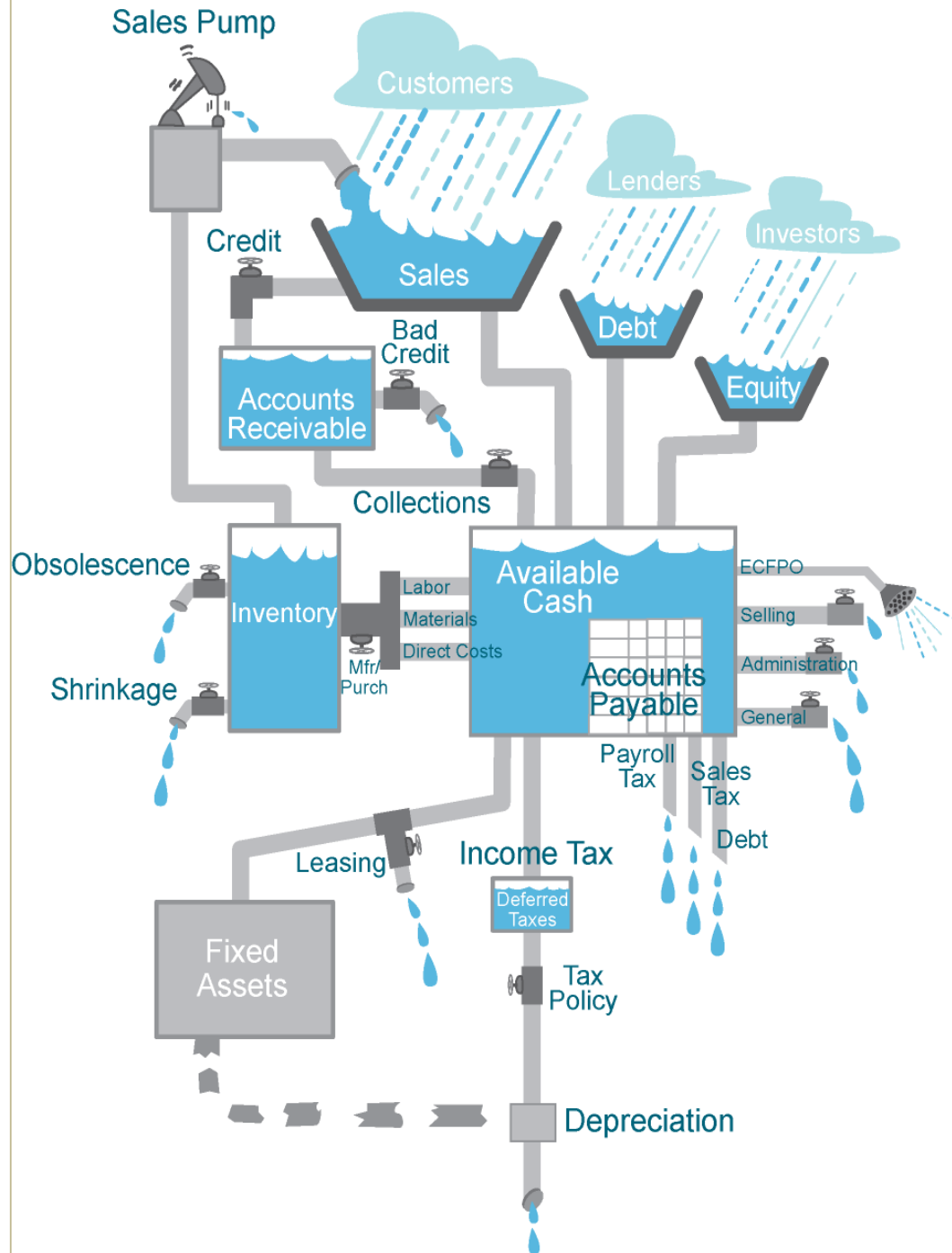
Cash Conversion Cycle



Cash Flow Diagram

Page 7 in your Participant Guide

This diagram has been adapted from a diagram designed by George M. Dawson and illustrated by Buck Dawson, 1995.



The Wired Cup Cash Flow Statement

Page 10 in your Participant Guide.

This statement tells a story:

- How much money Bob has to run his business
- How much money is moving in and out of The Wired Cup.
- Where the money is coming from and where it is going.
- When that money is moving in and out of the business.



What Can Bob Do?

Group Discussion:

- How can Bob increase sales revenue at The Wired Cup?
- How could Bob negotiate a better deal with his vendors and suppliers?
- How can Bob plan for seasonal ups and downs?
- Is it wise for Bob to use a credit card to offset cash flow issues?
- What do YOU recommend?

Possible Ideas for Bob

Increase revenue

- Provide incentives for customers to pay in cash
- Start catering
- Sell gift cards
- Increase number of corporate accounts

Negotiate with vendors and suppliers

- Ask for better terms or payment plans
- Landlord: pay entire year's rent in 10 months not 12

Reduce costs during slow months

- Staff
- Store hours
- Reduce menu options

What NOT to Do

- Do not postpone paying estimated taxes
- Do not hide from loan officers – they can provide invaluable advice
- Do not pay vendors late (they can cut off supply)
- Do not overestimate revenue
- Do not underestimate costs



Key Points to Remember

1. Managing cash flow is a core competency of small business ownership.
2. An opening balance sheet tells a compelling story.
3. A cash flow statement continues the story. Use it to monitor projected and actual income and expenses.
4. Plan for seasonal fluctuations.
5. Try to maintain a rapid cash conversion cycle.
6. Manage your paperwork like a pro.
7. Ask an accountant for advice.

Toolkit of Resources

- Glossary of Cash Flow Terms
- Cash Flow Statement Template
- Negotiating Better Terms
- For More Information: technical assistance options – many of these are free!

See the **Toolkit of Resources** in your Participant Guide for more details.

End of The Deep Dive

Evaluation Best Practices

- Each module should be evaluated for two main reasons:
 - Evaluate the quality and impact of each module
 - Identify what is next

Evaluate for Quality and Impact

- The Participant Guide for each module includes an evaluation form on the last page.
- The forms are easy to complete.
- Evaluation forms are effective tools for gauging immediate reactions to a class.

What's Next

- At the end of a class, conduct a debriefing conversation with the class. Ask, “What should happen next?”
- Scan the Parking Lot for questions that indicate a need for additional classes.
- Interview guest experts for their ideas. They can offer great advice based on the questions the participants ask of them.



Questions

Getting Started With MSSB



Selecting Modules



There is more than one way to customize a *Money Smart Program*



Selection Options

Sample 1

Week	
1	Is Small Business Ownership a Good Fit for You?
2	Planning for a Healthy Business
3	Financial Management
4	Managing Cash Flow
5	Credit Reporting
6	Banking Services
7	Tax Planning
8	Time Management and Graduation

**There are many other options.
The order and sequence of
modules is up to you.**

Sample 2

Day	Is Small Business Ownership a Good Fit for You?
1	Planning for a Healthy Business Credit Reporting Focus Group: What should be next in this program?
2	TBD Focus Group
3	TBD Focus Group
4	TBD Graduation

Working with Experts

Experts can be:

- Small business owners with stories about successes, and how they learned from mistakes.
- Representatives from such fields as banking, credit, taxes and others.
- Advisors such as accountants or insurance brokers.

Join the Money Smart Alliance

- Sign up to become an Alliance Member:
 - <https://www.fdic.gov/consumers/consumer/moneysmart/business.html>
- To download any Money Smart curriculum and collateral material:
 - <https://catalog.fdic.gov/>
 - www.sba.gov/moneysmart

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Money Smart for Small Business

[Vea esta página en español](#)

Money Smart for Small Business (MSSB) provides a practical introduction to topics related to starting and managing a business. Developed jointly by the Federal Deposit Insurance Corporation (FDIC) and the U.S. Small Business Administration (SBA), this instructor-led curriculum consists of 13 modules ([download the MSSB Flyer](#)). FDIC and SBA invites [eligible organizations](#) to begin teaching this free curriculum right away!

The curriculum can be [downloaded](#), but it is also available in [CD format](#).

MSSB Trainings for aspiring and existing entrepreneurs are conducted by the members of the Money Smart Training Alliance. [MSSB Alliance](#) members can be contacted to find available training near you (List of MSSB [Alliance Members \(Excel 25KB\)](#) ([Microsoft Excel Help](#)))

MSSB is designed to be delivered to new or operating small business owners - persons without formal business training - by financial institutions, small business development centers (SBDCs), city/county economic development offices, faith-based organizations and others. The curriculum is a tool for bank-community partnerships. For example, bank staff could deliver the curriculum in collaboration with small business resource providers.

The Training Modules

The topics for the training modules provide a practical introduction to aspects of starting and managing a business that can be taught in any order or independently in 60 to 90 minutes. Each module includes a fully scripted instructor guide, participant workbook, and PowerPoint slides. In addition to grounding participants in the basics, the curriculum serves as a foundation for more advanced training and technical assistance.

[Is Owning a Business a Good Fit for You? -- NEW!](#)

[Planning for a Healthy Business -- NEW!](#)

[Managing Cash Flow -- NEW!](#)

[Credit Reporting](#)

[Organization Types](#)

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Money Smart for Adults Two-Sided (English/Spanish) Promotional Flyer

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Money Smart for All Ages MP3 (Audio) Version Two-Sided (English/Spanish) Promo Flyer

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Money Smart for Elementary School Students 2-Sided (English/Spanish) Flyer

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Money Smart for Small Business Two-Sided



Money Smart for Young Adults Two-Sided



Money Smart for Young People and Teacher



Teacher Online Resource Center

Success Tips

- Resources
- Tools
- Tips

Learning Objectives

- Recap
 - What it is
 - Why it was created
 - Who can benefit
 - How they benefit
 - Getting started!

Key Points To Remember

- Curriculum is free
- A stand-alone product
- A complete package
- Out-of-the box ready
- Customizable
- Objective information from the FDIC
- Available in English and Spanish
- An award-winning curriculum that can bring proven results

Parking Lot



Reference

1. Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers (The Strategyzer series) by Alexander Osterwalder and Yves Pigneur | Jul 13, 2010
2. Reimagining Innovation: The Future of Exponential Leadership by Aaron Bare and N. Forbes Shannon | Aug 20, 2020
3. Testing Business Ideas: A Field Guide for Rapid Experimentation (The Strategyzer Series) by David J. Bland and Alexander Osterwalder | Nov 12, 2019
4. Unlocking the Customer Value Chain: How Decoupling Drives Consumer Disruption by Thales S. Teixeira, Greg Piechota, et al.
5. Build a Business, Not a Job: Grow Your Business & Get Your Life Back by David Finkel and Stephanie Harkness | Jun 21, 2017
6. The Insider's Guide to Culture Change: Creating a Workplace That Delivers, Grows, and Adapts by Siobhan McHale | Feb 11, 2020
7. The Prosperity Paradox: How Innovation Can Lift Nations out of Poverty by Clayton M. Christensen, Efosa Ojomo, et al.
8. Competing Against Luck: The Story of Innovation and Customer Choice by Clayton M. Christensen, Taddy Hall, et al.