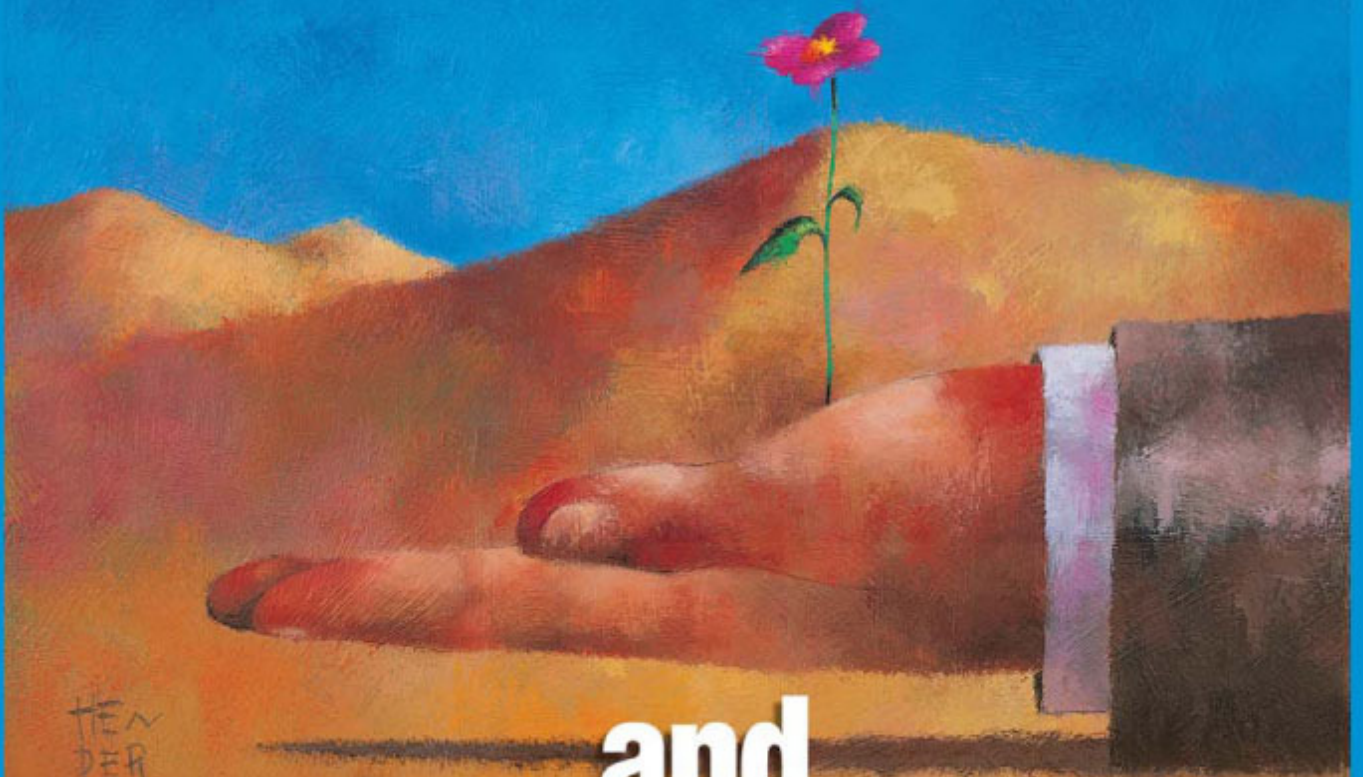


Starting



HENDERSON

and Growing Your Own PR Firm

Joan Gladstone, APR and Ed. Gillow, MBA

Starting and Growing Your Own PR Firm

Joan Gladstone, APR, Fellow PRSA

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INTRODUCTION

Look with favor upon a bold beginning.

-- Virgil

Like the parents of all newly-minted college graduates, my mom and dad eagerly greeted me after commencement. Eyes shining with excitement, my dad asked, “So, are you going to start your own business now?”

My first thought was, “Who in the world would retain a PR firm run by a brand-new college graduate with virtually no experience?”

Over the next 14 years, I gained experience in just about every conceivable public relations field. I worked for a university, a museum, a small PR/ad agency, a computer manufacturer, a connector manufacturer, a high tech PR firm, a global PR firm, a land developer and a politician.

Then, one day, I just knew. It hit me the moment I woke up on January 1, 1989. I was ready. I bounced out of bed and started making a list of all the things I needed to do to launch my business. Six months after my New Year's Day revelation, Gladstone Public Relations (later to become Gladstone International, Inc.) was born.

Looking back, I'm happy to say that it was the best professional decision I ever made. This book is about what I have learned over the past 22 years about starting and growing a public relations firm. Along the way I have learned a tremendous amount about how to run a profitable business, how to achieve client loyalty, how to compete for business and much more. Now, I'd like to share what I've learned to help you become profitable and successful in your new venture.

I want to give credit to the Public Relations Society of America (PRSA) for originally asking me to write this book. When I wrote the first edition in 1998, I was determined to help future PR firm owners avoid the same mistakes I made when I first started out. The book became one of PRSA's best sellers. The second edition was published in 2006.

In 2011, PRSA granted me the rights to this book. This is the updated, third edition. I'm making this book available to PR entrepreneurs for free. It is my way of giving back to a profession that has been very good to me.

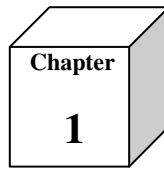
I also want to give credit to my wonderful husband, Ed. Gillow. Besides love and companionship, Ed gives me priceless support and encouragement. Ed is also a man of many talents. He has an MBA, serves as our CFO, and wrote chapters 9 and 10.

As you turn the pages of this book, we hope you will open a wonderful new chapter in your life as the owner of your own public relations firm. We wish you every success.

Please write to us to let us know how this workbook helped you, what new information we should include in future editions, or if you have questions. Contact jgladstone@gladstonepr.com or egillow@cox.net

Joan Gladstone, APR, Fellow PRSA





Taking Control of Your Destiny

THE INNER JOURNEY

For most entrepreneurs, the idea to start our own firm has been brewing for some time before they take action. It usually takes a change in our situation or in our attitude to put the wheels into motion. Change can prompt an inner journey of discovery, and manifest itself in a course of action that can change our lives.

Many times the change is work-related. Your company is being acquired, and you find out that the buyer already has a head of public relations in place. A new CEO or president is hired, and you hear rumors that she is planning to bring in her own public relations team. You take a job only to find out it's not what you expected and begin to question how long you'll be happy there. Whether or not you're forced to make a career change, you may start thinking about starting a firm as a compelling alternative to taking another job.

The decision to start a firm also may be linked to a major change in personal circumstances that make us more willing to take risks. In comparing my story to that of other women, I found that one of the most common reasons why women start their own businesses is divorce.

A few months after I was divorced from my first husband in 1988, I took an exciting job as a press aide to a local elected official. While the work was rewarding, the salary was much lower than what I'd earned in the past. I could just cover my mortgage and basic living expenses. Then, I discovered my car needed \$600 in repairs. Not a terribly significant amount, but enough to

make me stop and think about my financial situation. I didn't want to worry this much about finances ever again. I was determined to make a change.

In the painful aftermath of divorce, I realized two things. Emotionally, I felt that I had lost what was most important to me in my life, so I had nothing more to lose. Mentally, I faced the reality of being 100 percent responsible for my finances. I decided to pursue my dream and start my own firm.

As my mom likes to say whenever anyone in our family makes an important decision, "The train has left the station." By July 1989, the train was barreling down the tracks at full steam.

While the reasons why people decide to start their own public relations firm vary, most of us share a common attitude: We want to be in control of our own destiny. When we presented workshops based on the first edition of this book, *How to Start Your Own PR Firm*, at the PRSA International Conference in 1998 and 1999, we learned that this is the reason most people give for wanting to start their own public relations firm. We all know that it's impossible to control the future, but I believe what people are saying is that they want to exercise more control than they currently have over the work they do, the money they earn, and the hours they work. The quest for greater work/life balance has never been greater than it is today.

At the same time, the traditional work world has become more uncertain. The career histories of our grandparents and parents are a thing of the past. We can't count on lifetime employment or pensions – not in an age when the average tenure of a CEO of a high tech company is only two to three years.

THE ROAD TO FULFILLMENT

Public relations professionals can deal with workplace uncertainty in one of several ways. We can become mentally prepared to make many career moves in our lifetime and keep our resumes up-to-date. We can look for security in a government job or as a teacher or tenured faculty

member. We can start our own businesses. Or, we can get lucky – we could win the lottery and give up working altogether.

Though getting rich quick would be nice, you are reading this workbook because you want to actively plan your financial future. You're thinking about starting your own public relations firm, or you have already taken the plunge and you want to go through a refresher program. In our PRSA workshops, we were surprised by the number of participants who had been in business for two or more years. They were facing decisions about whether or not to grow their firms, or they wanted to become more profitable. We expanded this book and renamed it *Starting and Growing Your PR Firm* to help those already established to be as successful as possible.

Congratulations on your decision to embark on a courageous journey, or if you already own your own firm, to explore new models for profitability and personal satisfaction. This workbook is intended to provide a road map to help you anticipate and overcome the possible pitfalls and hazards. It will guide you in the planning process to help ensure your long-term success.

I promise you this: starting and running your own public relations firm will be one of the most rewarding experiences of your life. Nothing you've done in your career to date may ever compare to the overwhelming feeling of pride in having your own firm; winning new clients because of what you, personally, have to offer; keeping clients year after year; and earning the respect of your peers and business associates. There's just one thing you need to promise in return. Decide, before you start, that you are committed to your new venture. Don't go into this half-heartedly, as if this were something to do before you get your next job. There is no such thing as starting half a business.

Just before I started my firm, while I was still working full-time, I went to a Chamber of Commerce mixer with a stack of brand-new business cards to try to make some new business contacts. I introduced myself to a man who turned out to be vice president of marketing for a high tech firm. Jackpot! We talked for several minutes, and he asked what I did. I handed him my business card and said, "I'm starting my own public relations firm soon." He studied my card for a few moments and replied, "When you start your business, call me," and walked away.

I learned a valuable lesson right then and there. For a client to hire you, he or she needs to believe that you are 100 percent committed to your firm. I should have gone to the mixer prepared to say, "I have my own public relations firm" not, "I'm going to start one."

Remember the great mythological tale of Odysseus' journey after the Trojan War? It took Odysseus 10 long years to return home to his wife and son. On the way, he encountered storms and shipwrecks, attacks by giant Cyclops and cannibals, being lured by sorcerers and Sirens, and nearly drowning after passing through the sheer cliff of Scylla on one side, and the whirlpool of Charybdis on the other. Through sheer determination, combined with intelligence and a little luck, Odysseus finally arrived home.

Don't be afraid of the obstacles that may appear on your path. The stronger your resolve, the less insurmountable they will appear. Make the commitment, and your business will return a greater investment in terms of personal growth than you ever dreamed possible.

“I have never met anyone who left his or her job, whether fired or voluntarily, who started his or her own business – and regretted it. What these people always regret is not having done it sooner. This includes people who eventually failed and had to go back to work for someone else.”

-- Harvey MacKay, July 25, 2011





EXERCISE

Evaluate Your EQ (Entrepreneurship Quotient)

Do you have what it takes to be a successful entrepreneur? Take this short quiz and test your EQ (Entrepreneurship Quotient.)

Please answer either yes or no to the following questions:

- _____ 1) Are you an adventurous person?
- _____ 2) Has anyone in your family started a successful business?
- _____ 3) Did you have a business as a child?
- _____ 4) Can you handle a lot of things at once?
- _____ 5) Are you interested in subjects outside your field of work?
- _____ 6) Are you a good listener?
- _____ 7) Are you disciplined, a self-starter?
- _____ 8) Are you persuasive?
- _____ 9) Can you make tough decisions?
- _____ 10) Do you have the ability to lead and manage others?
- _____ 11) Does hard work invigorate you?
- _____ 12) Are you prepared to give up a regular paycheck?
- _____ 13) Are you in good health?
- _____ 14) Does your family support your decision?
- _____ 15) Do you manage money responsibly?
- _____ 16) Do you have good credit?
- _____ 17) Do you like to save more than spend?
- _____ 18) Have you practiced public relations for at least five years?
- _____ 19) Do you have a good network of business contacts in your community?
- _____ 20) Do you like to sell?

Totals: _____ **yes** _____ **no**

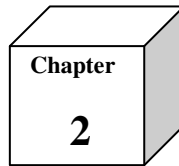
Scoring:

16 - 20 yes answers: Your EQ is outstanding. What are you waiting for?

11 - 15 yes answers: Your EQ is very high. You are well-prepared for success.

6 - 10 yes answers: Your EQ is below average. Work on improving your scores before you take the plunge.

1- 5 yes answers: Your EQ is very low. Are you sure you really want to be an entrepreneur?



Developing Your Start-Up Blueprint

What do athletes and artists have in common? They practice creative visualization, or the art of learning how to project a desired outcome as a way to make it happen. Just as the batter who “sees” the ball soaring over left field is more likely to hit it there, and the sculptor who “sees” a human figure trapped in a block of marble will know exactly where to place her chisel, you will get your business off to a successful start if you take the time to give your goals form and substance.

In this chapter, we offer a five-step process for clarifying your business goals and developing a **Start-up Blueprint**. A start-up blueprint is for your eyes only, or to share with your advisors. Should you need initial or expansion capital, you can expand your start-up blueprint into a full-fledged business plan to interest investors or lenders.

BENEFITS OF A START-UP BLUEPRINT

The major benefit of putting your thoughts on paper is to become better prepared for what lies ahead. Whether or not you have ever had a business of your own, being prepared will help you to more easily handle the unexpected.

In *The Road Less Traveled*, the perennial best seller by M. Scott Peck, M.D., the first sentence reads, “Life is difficult.” A central concept in Buddhist philosophy, this simply says that if we expect life to be easy, we will be unprepared for difficult times. If we expect problems, we will be less likely to complain about them and more likely to solve them. Wrote Peck, “Once we truly know that life is difficult -- once we truly understand and accept it -- then life is no longer difficult. Because once they accept the fact that life is difficult, it no longer matters.”

After you start your firm, there is no doubt that you will encounter bumps in the road, or perhaps major hurdles, after you start your firm. A start-up blueprint will better equip you to overcome them.

Another reason to write a start-up blueprint is to create a sense of purpose. If I think about starting a fitness regime, I may or may not take action. If I mark on my calendar the days I want to bicycle or walk, I am much more likely to follow through. Writing down goals is one of the best ways to commit to pursuing your dreams. When you write them down, you create positive energy that can magically cause them to happen.

As I mentioned in chapter one, the idea of starting my own firm hit me on January 1, 1989. Two months later, I received two totally unexpected phone calls in the same week from former clients. I had not heard from either person in more than two years. One had to work to track me down, since my home number was unlisted. They asked me what I was doing and where I was working. I said I was planning to start my own firm and they said, “Terrific! I want to work with you again!”

Would these former clients have called me even if I were not planning to start my firm? Perhaps. I prefer to think that they called because I had written down my goal to start my public relations firm, after years of just thinking about it, which sent out the right vibes.

Other benefits of developing a start-up blueprint are to:

- Anticipate resource needs -- Write down all the equipment and supplies you need to buy or lease and the staffing you will require to achieve a more accurate projection of your start-up budget.
- Forecast your start date - What things do you have to do before you start your firm, and how long will it take to accomplish these tasks? Once you develop your start-up time line, you'll have a clearer understanding as to whether you can start your firm in three

months, six months or a year.

- Stimulate word-of-mouth advertising -- Share your goals with your friends, advisors and trusted business associates. Once you have defined your goals, know when you will launch your firm and what you will offer. Your “inner circle” will help you spread the word to potential clients, employees and expert consultants.
- Polish planning skills -- Developing your own plan will help you enhance your abilities to think through challenges, allocate resources, develop marketing strategies and polish your strategic thinking. This will better equip you to develop or review client business or marketing plans.
- Keep yourself motivated -- Re-read your start-up blueprint often. Don't hide it in a desk drawer, but keep it on your desk, where you can see it every day and draw positive energy from it.

Your Start-up Blueprint

There are five elements of a start-up blueprint:

One: Lay the foundation by making a wish list

Two: Design your floor plan with smart goals

Three: Draft your plan

Four: Start building

Five: Add the finishing touch

STEP 1: LAY THE FOUNDATION BY MAKING A WISH LIST

I still have the “wish list” I created the day I decided to start my business. I wrote down sixteen wishes, both personal and professional. To my delight, many of them have come true. Here is an excerpt of my personal wish list:

<u>Wish</u>	<u>Date Entered</u>	<u>Date Achieved</u>
Run my own business	1/30/89	6/24/89
Lease office space	1/30/89	7/7/90
Live by the ocean	1/30/89	5/25/92
Marry a smart, romantic man	1/30/89	9/7/96

The next thing I did was to complete a second list to try to bring my wish list to life. I concentrated on my first goal, running my own business, which would help me achieve my second goal--living by the ocean--and a few others. As an aside, I did not try to plan how to marry a smart, romantic man. Fate took care of that!

Create Your Own Lists

Now, write down your wishes on one sheet of paper. If you are reading this book, I will assume that one of your wishes is to start your own public relations firm. On a separate sheet, list the reasons why. Be specific. The more reasons you list, the more they will motivate you to accomplish your dream. Here are some examples. What are yours?

- Be my own boss
- Take control of my destiny
- Set my own hours
- Earn more money
- Delegate things I don't want to do
- Have a better quality of life

- Take longer vacations
- _____
- _____
- _____
- _____
- _____
- _____
- _____

STEP 2: DESIGN YOUR FLOOR PLAN WITH SMART GOALS

Look over your “wish list” again. Can you prioritize them? If you were designing a floor plan for a house, you’d have to make some decisions when you meet with the architect. Do you want a home office, home gym or both? If you chose a three-car garage, will there be space for a guest room? By asking you questions, the architect will help you define your goals and build your dream house. In a similar way, you can turn dreams into realities by turning your wish list into structured, measurable smart goals. Make sure your goals encompass these elements:

- S**pecific
- M**easurable
- A**chievable
- R**ealistic
- T**imely



EXERCISE

DEVELOP SMART GOALS

Complete your answers to the following questions. Repeat this exercise for each of your goals to develop a SMART set of goals.

Specific: What do you want to do?

Measurable: How will you measure whether you have achieved your goal?

Achievable: Do you have the qualifications, skills and motivation to achieve your goal?

Realistic: Is this something you really want to do?

Timely: When do you want to accomplish your goal?

STEP 3: DRAFT YOUR PLAN

As a public relations professional, you have probably written many plans for organizations or clients. This is great practice for drafting a plan for your own business. You understand the importance of establishing objectives, strategies, tactics, time lines and budgets. The big difference is that now you have to do a plan for yourself.

One of the best ways to tackle this project is not to create a 50-page business plan. Instead, develop a brief start-up plan that will serve as a blueprint for future, more detailed plans. Your business is likely to change and evolve quickly during your first year in business. You could offer one specialty service and evolve into another, more desirable and profitable niche. You may think you want to be a sole practitioner, but find great satisfaction in managing a staff or team of consultants. You could start working at home but find you prefer an office environment. Leave room in your plan for the unexpected.



EXERCISE

DEVELOP YOUR START-UP BLUEPRINT

As you should with any good planning process, start by defining your objectives and strategy for starting your own public relations firm. Following is a list of the elements for a start-up blueprint for your first year in business and questions to help you complete the process.

Objective:

Why are you writing this plan?

Strategy:

What is your statement of purpose?

Positioning:

How will you differentiate your business from the competition? (*see Chapter 3 on defining your image*)

Situation:

Are you properly positioned to accomplish your objective? For instance, do you have sufficient capital or will you need a loan? Could your current employer become your first client? When do you plan to launch your firm?

Management:

What are your qualifications for owning a public relations firm? If you have a partner or partners, each person should provide an overview of his or her experience, skills, specialized knowledge and other credentials.

Staffing:

Will you operate as a sole proprietor, have partners, hire full or part-time employees or use independent experts and freelancers in your first year?

Market analysis:

What is the potential for a new public relations firm to succeed in your market? Do a competitive analysis of existing public relations firms and the services they provide. Talk to friends and business associates and reviewing listings (The O'Dwyers directory and the Counselors Academy Red Book are two sources.) From a potential client standpoint, what are the growth industries in your market? What kinds of services will potential clients desire most?

Marketing:

How will you market and promote your firm? (*See Chapter 12 on marketing your firm.*)

Financials:

What are your anticipated start-up costs? What are your income requirements and projected expenses for the first year? (*See Chapters 10 and 11*)

STEP 4: START BUILDING

Once you complete your start-up blueprint, you will have a very good understanding of all the steps you need to take before you start your business. You will have a solid foundation on which to build your firm and cope with the unexpected -- such as a sudden shift in your time line.

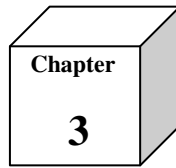
When two former clients called a few months before I was ready to leave my job and launch my firm, I saw this as my big break -- a sign I should accelerate my time table and start my business right away. When I approached my employer and told him of my plans, he asked me to stay a few more months. With his permission, I started doing project work for the two clients weekends and evenings. Although this led to some very long days, I knew it was a short-term situation. Two months later, I officially started my firm with a ready-made client base.

STEP 5: ADD THE FINISHING TOUCHES

Your business will evolve in ways you never dreamed possible during your first year in business. You'll want a plan that is flexible enough to leave room for new opportunities, yet structured enough to help you to achieve your goals. Add the finishing touch by building an evaluation tool into your start-up blueprint. Set key milestones, such as your start date, six month and one year anniversaries. At each milestone, take a few hours to review your actual progress against your forecast.

Let's say that you wanted to complete your firm website and send out an announcement within one month of starting your business. If you haven't achieved this goal on schedule, it's time to reassess your priorities and set a new timetable for this goal. The self-evaluation process is your compass. It will help you navigate uncharted waters and successfully reach your destination.





Defining Your "Image" and Competitive Edge

When was the last time you thought about your "image"? **YOUR** image -- not the image of the organization or the clients you represent. As public relations people, we're trained to take a behind-the-scenes role, and position others to shine in the spotlight of public attention. Yet when you start a public relations firm, the spotlight is on you. Prospective clients and business associates want to know what experience and capabilities your firm has to offer. This chapter is designed to help you define your firm's image and establish a competitive position in your marketplace.

Defining Your Firm's Image

You and I already have an image; in fact, we probably have several different images. To your family, you may be perceived one way; to your friends another; to your co-workers, yet another.

There are times when we consciously try to project a certain image. When I present a major new strategic plan to a client, I think carefully about how my materials look, what I'm going to say, what to wear -- every tiny detail. Quite a contrast to the weekends, when I relish "going with the flow!"

We all practice some degree of personal "image management" in our daily lives. When we start a new business, especially a public relations firm, managing our image takes on a new importance. Our image differentiates us from others. The more clearly we define our image, the better we are able to answer the inevitable question from a prospective client: "Why should I hire you and not the Smith or Jones public relations firm?" This exercise will help you answer this question.



EXERCISE

Evaluate Your Image

What are the unique ingredients that will contribute to your firm's image? Try to see yourself as potential clients will view you. On a scale of one to five, rate yourself on the following topics.

5=outstanding, 4=excellent, 3=above average, 2=average, 1=below average.

- _____ Reputation
- _____ Depth of experience
- _____ Overall public relations capabilities
- _____ Specialty expertise
- _____ Creativity
- _____ Quality of work
- _____ Client service
- _____ Grace under pressure
- _____ Community visibility
- _____ Professional affiliations
- _____ Personal presence
- _____ Caliber of staff and/or consultants
- _____ Website and marketing materials
- _____ Proximity to client base
- _____ Value for fees charged
- _____ **Total Points**

Scoring:

75 - 65 points: A phenomenal image! You should attract clients like bees to honey.

64 - 54 points: Excellent! You stand out in any crowd.

53 - 35 points: You're on the right track -- keep up the good work!

34 - 21 points: Your image is O.K. for an auditor, but as a public relations firm owner, you've got work to do.

20 - 15 points: You've got to be kidding! No one in public relations should ever score this low!

CHOOSING YOUR COMPETITIVE POSITION

While your overall reputation, experience and capabilities are all important factors in building a credible image that will attract clients, there's one ingredient that tends to have the most weight with clients: specialized expertise.

In the past, major corporations handled just about everything in-house, from research, design and production to marketing, legal and public relations services. Today, they outsource many services for two main reasons: either because their business is fast-changing or cyclical, making it inefficient and expensive to maintain large internal staffs year-round, or because they need highly specialized services. As business has placed more emphasis on outsourcing, the public relations industry has adapted to meet new needs. Few firms bill themselves as "generalists" anymore. Even global public relations firms have created specialized departments to cater to different industries and the demand for niche expertise.

Our first major niche evolved in response to a client's pressing need. In the beginning, we were a generalist firm. Our clients were as eclectic as could be. They included a law school, bank, engineering firm, self-defense video producer and a retirement home! The turning point came in 1991 when we received a call from major real estate developer. They had just ended their relationship with a public relations firm and wanted to meet right away. We prepared a plan and were hired within a week. Our major challenge was to do community outreach on a highly controversial land use project. We worked with the developer for nine years, worked with the community to build a support base and polished our skills in this intriguing and challenging niche. In 1996, PRSA presented us with its highest honor, a Silver Anvil award, for our community relations program on behalf of this client.

After serving the real estate industry for many years, I was proud to be selected to chair the Urban Land Institute (ULI) Orange County District Council in 2007. ULI is a prestigious, worldwide nonprofit education and research institute created to provide leadership in the responsible use of land. With my new leadership role and client experience, I felt secure in our

niche...until disturbing signs of a major real estate downturn began to emerge.

Rather than risk an uncertain future, I decided to refocus the firm on a second niche: crisis communications. Our crisis communications experience began in earnest when we were hired by the County of Orange in 1994. Faced with a stunning \$1.7 billion “paper loss” in the value of its investment funds, the County filed for bankruptcy, triggering a deluge of media calls from around the world. This was the largest municipal bankruptcy in the history of the U.S. (until a county in Alabama filed for bankruptcy in 2011.)

Since then, we have specialized in crisis communications planning, counseling and training. We are known today as one of California’s most experienced crisis communications firms.

The key is to be open to new opportunities and be flexible to change.

One of the most important things you should do before launching your firm is to carefully consider what specialty or niche you will offer. The narrower the niche you choose, the fewer your competitors and the higher the fees you can charge. As one expression goes, "The riches are in the niches."

NICHE POWER

There are dozens of niches to consider, with new ones emerging every day. Don't feel you have to stick with one or two niches forever. You'll be surprised at how much your business will change over time. Let's say your expertise is in technology. You may start out providing media relations services to tech firms, and increase your range of services by offering website development, social media management and monitoring. Or, say you started out doing investor relations, worked on a few hotel IPOs, and liked the hotel business so much that you switched exclusively to travel and tourism accounts.

You can distinguish your niche or niches by seeing how your expertise and interests fit into one or more categories. You may have many more niches than you think!

- 1) industry
- 2) capability
- 3) geography

Here is a list of potential niches within each category. Circle all of the niches that apply to you, and add a few of your own.

Industry Niches

- arts/entertainment
- agriculture
- automotive
- biotechnology
- banking and financial services
- business-to-business
- consumer products
- environment
- restaurants, food and beverage
- government
- health
- hotels/hospitality
- nonprofit
- professional services
- real estate
- sports
- technology
- telecommunications
- transportation

- utilities
- _____

Capability Niches

- cause marketing
- community relations
- crisis communications
- employee relations
- financial communications
- issues management
- marketing communications
- media relations
- media training
- multicultural communications
- public affairs
- social media
- speech writing
- strategic counseling
- technical writing
- word-of-mouth marketing
- _____

Geographic Niches

- city
- county
- regional
- state
- national
- international



EXERCISE

Create a Competitive Positioning Statement

Now you're ready to take the next step. Review the niches you've circled. Put a number next to each circled niche. Use "5" for niches that represent your greatest strengths to "1" for niches you may want to pursue one day. Let's say you circled five niches in the capabilities category. Of the five, which represents your greatest strength?

Next, using the following example as a guide, create a concise creative positioning statement or 'elevator speech' for your firm. As an example, a creative positioning statement about our firm would read:

Gladstone International offers crisis communications planning, counseling and media training to companies, nonprofits and cities throughout Southern California.

My goal is to get prospects so intrigued that they will want to know more. If this happens (and it will, nine out of 10 times), I'll tailor what I say next. I'll stress our litigation support expertise to attorneys. I'll describe our nonprofit crisis experience to nonprofit CEOs.

Create your own competitive positioning statement by completing this sentence:

_____ offers expertise in _____ and _____
Your firm capabilities capabilities
to the _____ and _____ in _____.
industries fields geographic area(s)

SEEK NEW AND EMERGING NICHES

Edward de Bono, a professor of creativity at Oxford University and author of several excellent books on creativity once said that to find a new solution to a problem, don't keep digging in the same place – find a new spot to dig. If your market is crowded with health care or tech firms,

find a different approach or different specialty. Even better, be ahead of the curve – learn to spot new and emerging niches, or create your own.

For example, you could carve out a successful practice in an under-served geographic area. This is what Marcia Hayes, principal of Oklahoma City-based Hayes & Associates did to establish a state-wide reputation for her firm:

“We are the largest public relations firm in Western Oklahoma. We're generalists in terms of serving the entire state. Our competitors are advertising agencies. One agency has a public relations department, but they think public relations is publicity. We have evolved into doing marketing public relations, primarily for professional services firms. As our reputation has grown, we have attracted clients throughout the state and nationally. We're the firm that national public relations firms call for local expertise, such as after the Oklahoma City bombing.”

Do you possess a keen interest in, or knowledge of, the culture, language or media of other countries? Consider Jeffrey Sharlach's success story:

“I was in charge of international operations for a major national public relations firm when I was asked to set up a Latin America operation. I spent three months interviewing public relations firms throughout Latin America. I wrote a report and recommended that we open an office in Miami. The principals of the firm changed their mind and decided not to proceed. So I quit my job and moved to Miami to start my own firm.”

Today, JeffreyGroup employs has offices in Miami, New York City, Mexico City, Buenos Aires and Sao Paulo. Major U.S. corporations have hired JeffreyGroup to provide corporate communications, special event management, media relations and many other public relations activities through Latin America. JeffreyGroup has firmly established its reputation as a leading firm dedicated to serving multinational clients in Latin America.

Investigate growing or unfulfilled demand for specialized public relations services in your market. Create a Growth Trends file on your computer. Add articles from business journals in your area. Talk to peers and business associates. Contact organizations and individuals who track trends, including:

- University professors who conduct economic forecasts
- Business reporters and editors
- Chambers of Commerce
- Economic development organizations
- PRSA chapter members
- Professional and trade associations

Based on the exercises in this chapter, you should have a good idea as to the overall image you have, your specialty or niche interests, and how to identify new potential specialties. Now you're ready to take the next step and put your image down on paper. Once you are happy with your written overview, you can use it as a foundation for your website, LinkedIn profile and marketing materials.





EXERCISE

Create an Overview of Your Firm

In this exercise, you will create a one-to-two page description of your new firm. Dig out a copy of your resume. Go over your answers to the exercises in this chapter. Using the following format, create an overview to tell the world what you can do. When you're done, ask friends and business associates to critique it. Does it clearly communicate what you could do for them? If the answer is yes, you have taken the first step toward communicating your new business image.

Note: This form is provided as a guideline. Use your creativity (or find a designer!) to format it so it reflects the image you want to project!

Firm Overview:

Insert your Competitive Positioning Statement (as discussed earlier in this chapter)

Capabilities Summary:

Write a sentence or two to summarize your key specialties and capabilities (see checklist)

List of Services:

List, in bullet point form, all of the major services you offer. Make this section descriptive, so the reader knows exactly what you can do. This should be the longest section on the firm overview.

Organizations Served:

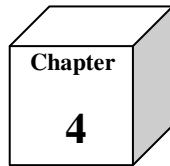
Review your resume, and list the companies, organizations and clients you have served--go back to the day you graduated from college!

Affiliations:

Mention professional and trade associations that are pertinent to your potential clients and demonstrate your involvement in their industries, especially if you actively serve on boards or committees. Include charitable organizations.

Awards

List major awards.



How to Make Working at Home Work for You

It's no wonder that many public relations entrepreneurs take a long hard look at whether to work at home or lease an office, especially in their first year in business. An office lease can take a big bite out of your profits. It is typically the second largest business expense after payroll, ranging from three to eight percent of annual costs.

As a result, most people start their public relations firms out of their homes. If you're planning to be a sole practitioner, possibly with one full or part-time assistant, working at home may be the ideal solution. Fortunately, it's simple to set up a public relations firm at home since it requires a minimal investment in computers and other technology (see Chapter 10). It's also ideal if you want to create a virtual firm with independent consultants who work out of their respective homes or workplaces.

One caution is that some cities have zoning regulations that prohibit or restrict the kind of work you can do at home. Many times these regulations are in place to limit traffic in residential areas. The occasional FedEx truck may not bother the neighbors, but a parade of visitors will. Make sure to check local regulations in your community and obtain a business license if required by your city.

WHEN WORKING AT HOME ISN'T AN OPTION

You may opt for an office if you're planning to grow quickly and hire employees, or if work starts interfering too much with your home life.

I knew from the outset that I'd want to grow my firm and hire people. After my first month in

business, the workload was more than I could handle. I hired a student intern. Ruth worked in one spare bedroom and I worked in another. She was very dedicated and prided herself in meeting deadlines. One Friday afternoon, she asked if she could stay late. I reluctantly said yes, because I wanted to relax before a date picked me up. I invited my date in, and instead of soft music playing in the background, he heard Ruth pounding away at the keyboard. The next Friday she asked if she could come into work over the weekend to finish a project. As much as I admired Ruth's work ethic, I didn't want my home to become an office seven days a week. I told Ruth she'd need to wait until Monday, and I realized working at home was a short-term solution.

Working out of my home was a terrific way to start out. I saved money. I had time to see how the business would grow. I began working with several talented public relations consultants who enabled me to serve more clients. After one year, we had built the business to the point where I felt confident about our future and ready to hire the consultants as full-time employees, and lease an office. However, I still didn't know how big we'd grow in the next few years. I found a good office broker and explained my dilemma. The broker found the perfect solution: a one-year sublease which would offer us a very reasonable rate. One year after starting up, we moved into a beautiful 2,000-square-foot office in a prime location. When the sublease expired, the same broker found us a 3,000-square-foot office at a new high rise office tower, where we signed a five-year lease and renewed it five years later.

When I decided to become a 100% consultant-based firm in 2001, I went full circle and moved back into a home office.

If you want to lease an office, my advice is to go slow. If you're on your own or have one or two employees, try subleasing space from a business associate with an extra office, or renting an executive suite on a month-to-month basis. Have a good idea of how many people you may employ over the next few years before committing to a long-term lease. You don't want to lease too much space and incur high monthly overhead expenses, or too small a space that may limit your growth.

IT TAKES DISCIPLINE TO WORK AT HOME

Many people jump at the chance to work at home, and for good reasons:

- It won't cost me a penny in monthly lease expenses
- I'll have time to evaluate whether I want to grow my firm and require an office
- I won't have to spend an hour or more commuting in traffic every day
- I can be there when my kids come home from school or care for an aging parent

Working at home can be convenient and rewarding if it's done for the right reasons. There may be trouble ahead if it's done for the wrong reasons.

- I can run errands during the week when the stores aren't as crowded
- I can work whenever I want to – no more 9 to 5 grind
- I can work in my sweats all day
- I can take my kids to the park any time I want to

Working at home requires a tremendous amount of discipline and resolve. You have to make a conscientious decision to focus on work. The first year, you'll not only work 9 to 5, but some evenings and weekends as well. If it's work you want to do, you won't find it a grind, but the most fulfilling work of your life.

To successfully work at home, follow a simple rule: separate billable from non-billable tasks. Client work is billable and therefore income-generating. Treat new business and marketing activities as billable because they have the potential to generate income. Do your client, new business and marketing work when your clients and potential clients are at work. When you're first starting out, try to limit non-billable administrative tasks during your workday. Set aside a non-peak time, such as 5-7 p.m. or 7-8 a.m. to take care of accounts payables or accounts receivables. Once your business is more established, you can shift administrative tasks into peak

workday hours.

Don't do non-billable tasks during the day. Now, this is not to say that you couldn't pick up a quart of milk on your way home from a client meeting. Just don't make trips to buy a week's worth of groceries during the workday. Set limits on volunteering to work at your child's school before 5 p.m. No TV or watching YouTube in the middle of the day. No doing laundry or other chores around the house. If you have someone working with you, you'll want to set the standard for him or her to follow. If you're working on your own, you'll want to set the standard for yourself. Try keeping yourself in a working frame of mind.

When I started my firm, I worked out of a spare bedroom in my home. Three mornings a week, I would get up, drive to my health club to work out, and be back at my home office by 8:00 a.m., dressed in shorts and a t-shirt. I quickly found out this wasn't practical. I was changing clothes to leave for client meetings and functions, coming home, and changing back into casual clothes. I found myself changing clothes as many as four times a day! After a few weeks, I gave up on casual clothes and got dressed in business attire every morning. Now if I have a busy day of meetings I'll stay in business attire. However, if I'm working on a strategic plan or writing assignments when I can be in the office all day, I'll wear something comfortable.

BUT WHAT IF MY CLIENT WANTS TO VISIT?

Today, virtual offices have become so well accepted that even the largest corporations don't care where you work. In 98 percent of the time, you will go to your client's location, call or Skype, or meet them at a restaurant for breakfast or lunch meetings. Few potential clients asked to see my office before they hire us, which was unfortunate because we had a very lovely office! One of our primary client contacts did not visit our office once in the nine years we worked on this account.

One reason people resist the idea of working at home is their fear that they won't be perceived as professional by clients and potential clients. However, I never lost a new business opportunity

because I worked at home.

One prospective client, Victor, a former marketing vice president of a multi-billion-dollar automobile manufacturer came to my home for our first meeting. I greeted him at the front door and invited him in. He saw the two bedrooms I had converted into offices, met my student intern and one of my consultants. His expression was one of amazement and trepidation. Was this really a credible firm? He quickly got over his fears, and we built a terrific working relationship. Years later, when we'd see each other at social and business events, Victor would proudly tell everyone within earshot that he had "discovered me" while I was working in my home.

Some clients perceive the fact that you work at home as an advantage because they assume that you can keep your billing rates down because you have less overhead. I do not advocate using this in your marketing pitch, however, because I think it devalues your time. You may find that your billing rates are close to or the same as firms with large offices, due to your experience or because the work you do is highly specialized.

You'll find that most people won't question your decision to work at home. In fact, they may envy your lifestyle and become your biggest fans.

My second month in business, I decided to call the public relations manager of the largest corporation in my community, a world-renowned engineering giant. I knew Rick from the Orange County chapter of PRSA and thought why not? I'll present my capabilities just in case he needs help some day. When we met, Rick asked, "Where's your office?" Slightly embarrassed, I mumbled, "In my home." He said, "What did you say?" I said in a louder yet apologetic voice, "I work out of my home." Rick looked at me and said, "Joan, you should never apologize for working out of your home. You are living a lifestyle everyone would like to have." He then gave me two big projects on the spot. I floated out of the company's headquarters with my feet barely touching the ground. I was never again embarrassed to talk about my home office.

PITFALLS TO AVOID

When you work at home, it's easy to want to stay there all day. The pitfall is that the further your home is from the major business center in your community, the less inclined you are to venture out for any reason. By getting too comfortable in your home environment, you may not be inclined to visit with your clients face-to-face. It may be easier to call them. You may prefer saying, "I'll e-mail my proposal to you," instead of setting up a meeting and going over it in person. Don't fall into this trap. There will always be plenty of work you can do by phone and e-mail with your client, yet never forget that the prime reason they retained you, and the prime reason they will keep you as a consultant, is the quality of your personal relationship. Don't let convenience get in the way of nurturing your personal relationships. Make a point to get out of the house to visit your client, go to lunch, and keep your relationship strong. When you have a client meeting on the calendar, you'll be more inclined to seek out opportunities to reconnect with business associates or attend a professional association breakfast. When you're out and about, you'll be amazed at how many new business opportunities will arise.

I attended everything my first year in business. Every business mixer, fundraiser, breakfast and luncheon where I believed I could meet people who could become clients or refer me to clients. It helped to put my fledgling business on the map. Most people were very supportive and asked a lot of questions about my new firm. Some suggested I send over my marketing materials or set up a time to talk about their public relations needs. I heard about potential new business opportunities and was in a great position to contact them – before my competition did.

These early efforts have continued to pay interest. The people I met when I first started out have grown their businesses in the meantime. Some have become clients, while others continue to refer business to me.

I once gave a speech to a group of graphic designers and copywriters. When I mentioned the value of seeing clients in person, I got some push back from people in the audience who work with clients around the country. Then one consultant stood up and said that she makes it a point

to fly to see her clients at least once or twice a year. She got the audience thinking when she said that this never failed to result in new projects, in addition to strengthening her bond with her clients.

Other pitfalls are anything that you may do, knowingly or unwittingly, to cause you to procrastinate and avoid work. When you work for someone else, there's the sense that your boss and your co-workers are observing your work habits every day. When you work for yourself, you've got to be tremendously disciplined to apply yourself and accomplish your work goals. Especially in the beginning, when you are trying to build a business, you may have more marketing goals than client deadlines. Your deadlines may be self-imposed and therefore easier to ignore.

The idea is to recognize the factors that cause you to avoid work and make a conscious effort to minimize them. I've grouped them in two categories: temptations and distractions.

Common Temptations

- Raiding the refrigerator or pantry
- Shopping online
- Going for a long walk on a beautiful day
- Playing hooky at the beach or park
- Visiting a bookstore
- Taking a nap
- Watching TV
- Going to yoga class
- Making dinner

Many people are worried about the "refrigerator temptation." I addressed my fear of my sweet tooth getting out of hand by banishing cookies and ice cream from my house. Know your weaknesses, and indulge on occasion when you're at a restaurant! Another option is to keep rigid

hours for breakfast, lunch and dinner as you might do in an office that doesn't have a kitchen or vending machine. Treat your kitchen as if it was a restaurant, and visit it only at mealtime. The rest of the day, the "restaurant's closed."

Common Distractions

- Placing and taking personal calls
- A spouse or housemate calling from their office to ask you to do a few errands
- Sending and replying to personal email
- Your kids
- Other kids playing outside

In the book, *What No One Ever Tells You about Starting Your Own Business*, author Jan Norman interviewed 101 successful entrepreneurs. She arrived at the following conclusion about the pitfalls of working at home:

Home based business owners usually blow their credibility by failing to separate personal life and business. They don't get the licenses or fictitious business names to form their businesses legally. They don't keep regular business hours. They don't have separate business telephone lines that they answer professionally. And the notion of a home-based business solving childcare problems is a myth. Entrepreneur parents find themselves making business calls during naptime, using day care centers to grab some uninterrupted work hours, and calling on neighbors or babysitters when a business crisis arises.

You may find that your spouse or others treat your work-at-home status lightly and imagine that you're suddenly available to take care of a million errands. Since "you're at home, anyway," it's easy to fall into the trap of doing a load of laundry, running out for groceries or doing personal paperwork like the taxes. Don't let this happen. Make sure that others understand that you're at work during working hours. Every minute you spend away from the business is unpaid, "non-billable" time. The danger is that the non-billable time can exceed your billable time, and your

business won't have a good chance to get off the ground and grow.

You can overcome these common temptations and distractions by ensuring that your home is set up for business. An environment that's conducive to working will strengthen your willpower to work and your discipline.





Exercise

Is Your Home Set Up for Business?

Find out by answering **YES** or **NO** to the following statements:

_____ 1) I can convert a spare bedroom, den or loft into an office. This room has a door that I can close for privacy or is away from my home's bedrooms. I have a separate phone line for my business.

_____ 2) My spouse or significant other supports my working from home. He or she won't expect me to do chores and errands during the day.

3) If you have pre-school age children:

_____ a) My spouse or relative cares for our young children during the day or

_____ b) I have a daytime sitter or daycare arrangements for my children.

4) If you have school-aged children

_____ a) My spouse, relative or friend will watch my child after school.

_____ b) My child's school has provision for after-school daycare.

_____ c) I want to spend time with my child after school, however I will complete my projects while they are at school or after they go to bed.

_____ 5) A parent or relative lives with me and requires daily care, and I have made arrangements to have my spouse, relative, or nursing service attend to their needs.

_____ 6) My dog, bird (or any other "talkative" pet) will be in a room that's out of earshot when I'm on the phone.

If you have answered yes to these questions, you are well-prepared to work at home. If you have answered no to any of these questions, consider making appropriate changes to prepare for working at home. See the following tips.

TIPS FOR WORKING AT HOME

- 1) Talk to your spouse or housemate about working at home. Discuss how this will affect your living space. Will you need to move your entertainment center from the study to the living room? Work out the physical requirements of your home office early. Develop a plan for minimizing distractions. Reinforce that you'll need their help and support in treating your home office like a business, and not that you're available to do projects around the house or run out to pick up the dry-cleaning just because you're at home. Set the stage early and you'll have greater success in having all of the people in your household understand that when you're in your home office, you're working.

- 2) Don't put your desk in the family room or master bedroom. Create an environment just for business. Once you step over the threshold into your office, you will be in the right frame of mind to work. When you step back over the threshold at the end of the day, you will be able to separate from work and enjoy home activities. Be sure that this room has a door or is away from the bedrooms in your home. You may need to finish a proposal at 11 p.m. You can do these things without disturbing your family if you can shut the door to your office.

- 3, 4) Make arrangements to have others look after your young children or at a minimum, have a back-up plan. You may think, "I'll pick them up every day after school and bring them home. It won't take more than 15 minutes." Don't think you can predict your days. A client may need you to attend a key meeting at their office at 3 p.m. You want to maintain as much flexibility in your schedule as possible, and be available for client meetings and calls. Your clients work regular hours and expect you to be available when they need you.

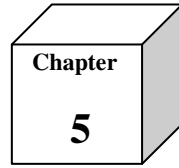
Don't plan on spending large blocks of time with your family before 5 p.m. unless your work schedule allows you to do tasks, such as speechwriting or editing on your own time, with minimal client contact. On the up side, one of the joys of working at home is seeing

your family more. You can take a break to welcome your kids home from school or congratulate them on winning the soccer game. Just be sure to set ground rules so that family members know not to disturb you when you're working, or your discipline and resolve may weaken.

- 5) You may have an elderly or ill parent or relative living with you who requires daily care and attention. You may think that by working at home, you can better contribute to his or her care. The caution is not to become the primary caretaker, but to put a qualified individual in this role.

- 6) As much as I loved my Dalmatian, Chips, he always seemed to bark at exactly the wrong time. After an especially noisy bout of barking that occurred when I was trying to pitch a story to *Newsweek*, Chips stayed in the backyard most of the day where I could watch him romping, but not hear him. If you want to maintain a professional image, be sure that you and your callers can't hear pet sounds in the background!





Going Solo or Building Staff

It used to be that one of the first questions you'd be asked by peers, business associates and potential clients was, "How many people do you have?" Size mattered. These days, size does not matter as much as capabilities do. What's most important to clients is *can* you get the job done (by deadline and on budget), not *how* you'll get it done.

In growing numbers, clients prefer a one-person or small firm because you offer them:

- guaranteed, ongoing access to the person at the top - you
- more personal attention
- lower billing rates than a large firm

While it's true that the average hourly billing rate of the principal of a small firm is usually less than someone in a comparable position in a large firm, this is not always the case. Clients may believe that hourly rates are linked to overhead, so the smaller the firm, the lower their overhead and therefore the lower their rates. Don't devalue your time by falling into this line of thinking.

Independent senior consultants in public affairs, crisis management, and other highly specialized areas can command hourly billing rates of \$150 to \$350 per hour, comparable to the rates charged by senior professionals within large firms. Billing rates have far less to do with overhead than they do with the perceived value of your expertise. For example, clients will generally accept a higher hourly rate for your time to write a crisis communications plan than an e-newsletter, since the crisis plan requires highly specialized expertise.

Now let's explore the structure of a firm that's right for you. In this chapter, we'll explore the following options:

- going solo
- hiring an assistant
- building a staff

The following chapter will focus on another option – one that may provide you with the best of all worlds: retaining independent experts to form a virtual public relations firm.

GOING SOLO

The most common way to start out is by doing it all yourself. Many people prefer this model and stick to it over the long-term. Advantages to running a one-person firm include:

- all income earned belongs to you alone
- no employee salaries, taxes or benefits
- ability to work at home
- greater flexibility to set your own hours
- no need to invest in extensive computer systems, office furnishings or equipment
- no employee management headaches
- ability to be more selective about the kinds of clients and projects to accept

The sole practitioner arrangement can work very well if you can control the level and pace of your work without sacrificing quality. For example, this set-up can work if you:

- can predict fairly steady work flows from retainer clients
- are willing to do project work and do not require a predictable annual income
- want to do it all yourself - strategic counseling through implementation

However, going solo may not be practical in the long-run if you:

- have mostly project-based clients yet want to achieve a certain annual income
- frequently face concurrent deadlines (such as preparing multiple clients for the same trade shows)

- prefer to do strategic counseling and leave implementation, such as media pitching, to others
- like the idea of growing your firm to handle more clients

You'll also want to see just how the business is affecting your lifestyle. Remember, your firm should serve as a source of joy and fulfillment; it should not turn you into a workaholic. Ours is a creative business, not a machine tool operation. We can't produce insightful, strategic and creative work – the kind of work our clients want and expect – when we're bone tired from running the business, marketing the business and doing all the work by ourselves. Watch out for symptoms of overload:

OVERLOAD SYMPTOMS

- You find yourself working most days until 11 p.m. to get everything done.
- Your day is consumed with meetings, giving you no choice but to work evenings and weekends to implement all the projects you've discussed in these meetings.
- Your administrative work, including billing, paying vendors and getting estimates out is piling up.
- You haven't done anything to recruit new business in a long time.
- You're overdue for vacation.
- Family members are beginning to complain that you don't spend enough time with them.
- You're getting tired of doing mundane or clerical chores.
- You're getting tired of working alone.
- You're just plain tired.

If many of these symptoms apply to you, you're ready to explore adding to your team.

HIRING AN ASSISTANT

Many people get cold feet at the thought of hiring their first employee, thinking, "What if some business goes away and I can't pay his or her salary?" or "What if he or she doesn't work out?" Relax. The easiest way to test the water is one toe at a time.

Consider hiring a student intern or part-time assistant to off-load your administrative, research, media list development, research and other tasks. Depending on salaries in your area, the intern or assistant may cost from \$6 to \$20 per hour. A common mistake is to think of this as an overhead expense. Don't. Plan on allocating 75 percent or more of the assistant's time to billable projects.

Let's say that you hire Dorothy as a part-time assistant. Dorothy can work 25 hours per week. At her cost of \$15 per hour, Dorothy's salary is \$375 per week or \$1,500 per month. You forecast that Dorothy will spend 20 hours per week on billable tasks. Plan on charging your clients a billing rate of four times her salary. The average going rate for account coordinators is \$60 to \$75 per hour.

Based on this formula (20 billable hours per week x \$60) Dorothy can potentially earn your firm \$1,200 per week or \$4,800 per month. If Dorothy is an independent contractor, you will realize approximately \$3,300 of profit on her time every month. If she is a part-time employee, you'll need to deduct taxes and benefits as they apply in your state.

If this isn't enough reason to hire an assistant, consider which hourly rate your clients would rather pay for researching media lists, distributing news releases, monitoring social media and hundreds of other tasks: Dorothy's \$60 per hour rate, or your rate of \$100 plus? Later, once Dorothy becomes more proficient at her job, you might promote her to an associate account executive position and adjust her billing rate to a higher level, resulting in greater profits for your firm.

You may be wondering if an intern or assistant would be willing to work with you in your home. If you enjoy working in a home environment, the chances are very good that others will, too. Even more common today is the concept of creating dedicated networks of independent contractors who work out of their own homes. We'll discuss this in greater depth in the next chapter.

Many sole practitioners start out with an intern or part-time assistant. Beyond boosting the bottom line, an assistant can enhance your peace of mind. You can delegate tasks so that you can concentrate on important assignments that only you can do. You can train your assistant to handle client calls when you're out of the office, help you meet multiple deadlines, proof your copy and fulfill many other useful roles. If your assistant has a public relations background or education, he or she may very well grow into a valued account executive one day.

After one month in business, I had six clients and was experiencing just about all the overload symptoms mentioned earlier. I started looking for a student intern studying for a degree in public relations. Ruth was highly recommended by several people I knew. When she arrived for her interview, I hired her on the spot, handed her the keys to my house, and gave her a quick tour of her new office (a converted second bedroom). She was absolutely terrific: a stickler for details, a thoughtful researcher and a good writer. Best of all, clients loved her. When Ruth's internship ended, I hired her on a part-time basis. By the time she graduated, we had moved into our first office, and Ruth joined us full-time. She worked for us for four years and progressed to account executive. She developed her passion for technology and left in 1993 to join a leading high tech company's public relations department. Then in 2005, I was very happy to welcome Ruth back to my team when she decided to become an independent consultant. We continue to work together on client projects to this day – 22 years after we met.

I was very fortunate to find someone as capable as Ruth. Not only did I trust her to run the office while I was away, I quickly discovered that two heads are definitely better than one in thinking through creative problems. As we added staff, Ruth continued to serve as our primary resource person, guiding new employees through our policies and procedures, and helping to train junior

staff.

***Tip.** Schedule weekly client review meetings with your assistant. Establish a regular date and time for these meetings, and stick to this schedule. The purpose of the meeting is to discuss new and pending projects, set deadlines, and determine resources you'll need to complete these projects. By bringing your assistant into the planning process early and regularly, he or she will be in a better position to share the workload, handle client questions and find quality outside resources, as needed, to get the job done.*

HOW TO CALCULATE EMPLOYEE BILLING RATES

Now that you've made the decision to hire staff, you'll want to figure out how to set client billing rates to cover employee expenses and return a profit. First, let's look at average salaries for different job levels. Salaries for full-time public relations professionals range widely depending upon the region of the county. Here are average national salary ranges for PR firm professionals, based on the Public Relations Society of America (PRSA) 2011 salary survey. While not listed here, average entry-level (account coordinator) salaries range from \$30,000 to \$35,000.

Salaries for PR Professionals

Average Salaries for Public Relations Professionals: 2011

Position	Nationwide	Percentage Change from 2010
Executive vice president	\$161,000	19.3%
Senior vice president	\$138,000	20.0%
Vice president	\$105,000	12.9%
Account supervisor	\$73,000	15.8%
Senior account executive	\$59,000	11.3%
Account executive	\$50,000	11.1%

The public relations field generally uses the following standard multipliers to calculate the

amount of income that employees should generate:

3 to 4x salary: clerical assistants, account coordinators or account executives are generally expected to generate three to four times their salary in income.

2.5 to 3.5x salary: senior practitioners, such as account supervisors (and yourself) earn higher salaries. They also spend more time doing administrative, new business and other non-billable functions. As a result, they are expected to generate 2.5 to 3.5 times their salary in income.

I would like to go one step further and suggest that you factor all employee-related expenses into your billing rate calculations. Employee expenses and overhead expenses typically add 35 to 40 percent to each full-time employee's salary.

Here's how this figure breaks down. Full-time employee expenses including payroll taxes, medical insurance, workers' compensation insurance and other employee benefits can easily add 15 to 20 percent to salaries. Overhead expenses reflect a percentage of your office lease or rent, utilities, equipment, telephone, training and supplies used by employees can add up to 20 percent more.

Say you have hired David as an account executive for an annual salary of \$40,000. With employee and overhead expenses of 40 percent, David's actual cost to you is approximately \$56,000. Based on approximately 2,000 available hours to work in the year, his hourly cost to you is approximately \$28 (\$56,000 divided by 2,000.) This hourly cost, \$28, times a multiplier of three equals a client billing rate of about \$85.

There is another reason for the multiplier, which is to cover non-billable hours. Although there are about 2,000 working hours in the year (factoring in two week's vacation), don't expect employees to be billable every hour they're in the office. Account staff will devote some hours each week to non-billable activities such as staff meetings, training, new business proposals or general research to learn more about a client's industry. Clerical and account coordinators may

assist you with billing, accounts payables and receivables and other non-billable tasks.

I propose that you use my 75:25 rule. Anticipate that your employees will be billable 75 percent of the time and non-billable 25 percent of the time.

Let's apply the 75:25 rule. If David bills 1,500 hours per year at \$85 per hour, he will earn \$127,500 in income for your firm. At David's cost to you of \$56,000 this translates into roughly \$71,500 in profit. Always keep your profit goals in mind (see Chapter 10.) By maintaining your employees' billability, you will produce profit to pay for marketing and new business efforts, upgrade your office technology, pay for administrative services and much more. Most important, making sure that the public relations professionals at your firm is billable on a consistent basis help you achieve a successful lifestyle and build your savings.

Following is a formula that illustrates the above examples. Apply this formula to determine your employees' billable hourly rates. Then, before you set your rates, compare them to other firms in your market. Determine whether you are charging the right rates for specialized services that command higher fees. For example, \$85 per hour may be the going rate for an account executive who works on non-profit, arts and sports accounts. However, technology, biotechnology and crisis management skills may command a premium account executive billing rate of \$100 to \$175 per hour.

These examples demonstrate the importance of setting billing rates that will cover all your expenses and return a profit. You can also see that the more you control non-billable time, the more likely you are to meet your income and profit projections.

Formula:

1. Divide the employee's annual salary + employee and overhead expenses by 2,000 hours to achieve the employee's hourly cost to you. ($\$56,000 \div 2,000 = \28)
2. Multiply the employee's hourly cost by a factor of 3 (or more, based on job level)

Let's say you've hired an assistant and it's working out great. Why add more staff? You may want to consider this step if you:

- have companies beating down your door to hire your firm (good for you!)
- enjoy selling your firm's capabilities and want to see how much you can grow
- like managing people more than doing hands-on work
- want to expand into new practice areas that complement current capabilities
- have long-term objectives to sell your firm

You may also choose to grow to become more competitive. Adding more staff can help if you

- have not been considered by some major new accounts because they don't think you have sufficient resources
- have lost an account or two to a larger firm because your clients perceived you were too small to meet their growing needs
- are not on the radar screen for large government and private sector Requests for Proposals (RFP's).

There are many advantages that you, as a business owner, will realize if you choose to grow and add staff. Or, you may decide to grow by building a virtual firm as we'll discuss in Chapters 6 and 7. I have gone full circle. I started out with independent consultants working out of my home in my first year in business. From 1990 to 2001, I employed between 8 and 12 people. Now I work exclusively with a talented team of independent consultants.

Here are some of the things I liked about having a full-time staff:

- Team spirit. I enjoyed our camaraderie. We were a very vocal bunch. Everyone in the office would whoop, holler and celebrate when someone won a great story placement. Everyone knew when a project was bumping up against a deadline, and volunteered to help. There was great enthusiasm in our office; visitors often remarked that they feel the positive energy when they walked in the door.

- Ability to delegate. Another major advantage was the ability to delegate the lion's share of client projects so I could concentrate on work I really liked to do, such as strategic planning, community outreach, speech writing, media training, and crisis and issues management. By forming client service teams that required minimal supervision, I focused on my favorite projects and on efforts to market our firm and bring in business.
- Creative energy. Ever tried brainstorming by yourself? It's not fun or terribly productive. The best ideas happened when we schedule an internal brainstorming session. In an hour or less, our group came up with many innovative solutions to a client's needs.

Growing your firm may offer many rewards, but it also places new responsibilities on your shoulders.

During our third year in business, we held a December holiday dinner party at our general manager's home. After wine, hors d'oeuvres, and ice breaker games in front of the fireplace, we rose to go into the dining room. Once we were seated, a strange feeling came over me. I became very quiet. As I looked around the table at our boisterous, fun-loving group, I counted a total of 14 people – my staff, plus their spouses or significant others. As one couple talked about their plans to be married, and another, their desire to buy their first home, I suddenly felt the full impact of their reliance on me for their livelihood, and their confidence in the future of our enterprise.

An awesome sense of responsibility soon gave way to a rush of pride in what I had created three years before in a spare bedroom. My firm was not just me anymore; it had its own form and substance, shaped by the people in the room that evening.

Forging a cohesive team is not without its own set of challenges. It takes time, patience and skill to manage and motivate people. If you like the idea of growing your company, you'll find many business books and courses that offer excellent advice on how to manage people effectively.

Here are three of the procedures we developed and refined over the years for recruiting and retaining great staff:

BUILDING A GREAT STAFF

Interview by committee. Never rely on your judgment alone when making hiring decisions. In a small company, staff members must be able to work well together. Seek harmony right from the start. Form an internal committee to review candidates and listen to their opinions. In our firm, each member of our 10-person staff participated in the process. To make the process move more quickly, and save the applicant from having to be interviewed 10 times, we grouped staff members into two-to-three person interviewing teams. The decision to hire a candidate had to be unanimous. If not, we kept looking.

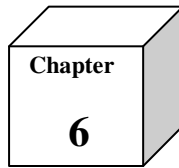
Conduct frequent reviews. Want employees to meet your expectations? It may be as simple as letting them know what you expect. Schedule regular reviews. We review new employees five times during their first year -- at 30, 60, and 90 days, and then at six months and one year. After that, we conduct reviews twice a year, using a comprehensive review form that the employee and his or her supervisor each fill out. We sit down with the employee to discuss job performance to date, address any concerns, and map out a plan of action for achieving performance goals. It works beautifully – in fact, employees remind us when it's time to schedule their next review!

Invest in Training. The Millennial Generation (in other words, your next account executive) expects to learn and grow on the job, or they will leave. We viewed our firm as a continuous learning organization. We hosted regular **Power Lunches** in our office to present information on a wide range of topics and answer questions; we also encouraged employees to enroll in outside classes, workshops and seminars to broaden their knowledge base. Our emphasis on education not only served to retain bright young staff, but also helped to ensure that our clients received the best service possible.

THE VIRTUAL FIRM MODEL

Thus far, we've discussed three ways to structure your firm – going solo, hiring your first assistant, and adding employees to grow your firm. In the next two chapters we'll describe another model: the virtual public relations firm. Whether you plan to run your firm yourself, add one assistant or 15 staff members, we believe the virtual team model can add flexibility and depth to your firm.





The Superfit Firm: How to Add Muscle, Not Fat

In 1995, I presented a workshop, “*The Superfit Firm*,” about the value of teaming with independent consultants to about 40 attendees of PRSA’s Counselors Academy Spring Conference. About half the participants were intrigued by the idea of combining employees and consultants or working exclusively with consultants. The other half thought I was crazy.

Now this concept is far more accepted. In 2001, Daniel H. Pink published a book titled *Free Agent Nation: How America’s New Independent Workers are Transforming the Way We Live* to describe how some of the largest corporations in the world outsource critical functions to independent consultants and consultant teams.

Increasingly sophisticated clients are demanding more from their public relations firms. At the top of the list is more senior-level counseling. In other words, they want you or someone like you with in-depth experience to develop and manage strategic programs and projects.

As your firm grows and adds clients, being readily available to all your clients when they need you becomes tricky. Let's say you're doing a multi-city media tour with one client, when another calls and wants you to start work immediately on a comprehensive plan to manage potential national media interest in a major lawsuit. If you're the only senior counselor in your firm, you've got a problem. Cloning yourself isn't an option – at least not yet! You must be able to say yes to quick turnaround assignments or your client may look elsewhere to get the project done. If you're unavailable or unable to assist a few times in a row, your client may get the message that he or she is not your top priority and will find another firm.

WHY FIRMS SEEK ALTERNATIVES TO HIRING STAFF

The traditional way that most firms have handled growth and work load conflicts is to bite the bullet and add senior staff – professionals with a minimum of five to 10 years of public relations experience. However, many public relations firm owners are looking for alternatives to this approach for the following reasons:

Difficulties in recruiting and retaining quality senior staff. The best and brightest senior practitioners may have incentives to stay where they are. They may like their current job, own equity in their current firm, have terrific benefits or are on the fast track to become a principal. They may demand a salary that is too steep for a new firm to justify. Corporate, government and non-profit public relations people may not want to try agency life. More often than not, professionals with seven or more years' experience may be thinking exactly the way you are, and want to start their own firm instead of working for you or anyone else.

Diminishing retainer arrangements. Clients increasingly prefer project-by-project arrangements instead of annual contracts or monthly retainers. This shift is affecting law firms, accounting consulting firms and other service providers, not just public relations firms. Project work can be more profitable because the client isn't locked into an annual dollar amount and may be more receptive to new projects throughout the year. However, it presents a financial management challenge. How do you predict your income on a monthly basis in the absence of retainers? With project-based clients, it's nearly impossible to accurately forecast your staffing requirements or ensure ongoing work for senior people.

Roller coaster workloads. Project work leads to workload peaks and valleys. One month, everyone's working at full steam while the next, you're worrying about how to keep everyone not only busy, but billable. This may not present an issue if your firm is comprised of junior people. However, if you're paying \$100,000 and up for senior practitioners, their monthly salary and

expenses may significantly cut into profits if they are not billable every month.

Demand for specialized skills. The more diverse your client list, the greater the chances that your clients will demand specialized skills that you and your staff just might not have. During your first few years in business, current and potential clients may ask you to do investor relations, Web site production, direct marketing campaigns, international media relations and many different public relations and marketing communications activities. You never want to say, "We don't do that." Let your client know you can do the project. Then find the resources to do it. Better yet, line up your resources in advance of when you'll need them, as the next chapter will describe.

With these factors in mind, don't rely entirely on recruiting senior professionals. Try a different approach. **Build a network of loyal independent experts who will add muscle, not fat to your firm.** Managed right, a virtual team of independent experts can help you boost your profits, market new services to existing and future clients, expand your knowledge base and train your staff.

You may decide, as I did, to become an entirely consultant-based or virtual firm. Over the years my firm developed a strong reputation for issues and crisis management. Yet the senior practitioners in our area, the ones who knew how to develop and implement issues and crisis programs and do strategic planning, liked being independent consultants. I was at a crossroads: either continue to hire junior or mid-level staff to do more traditional forms of public relations or change my business model to team with senior consultants and pursue the work I loved to do. I chose the latter. In June 2001, I helped my staff to find new jobs, let my lease expire and moved my office into my home. I began building a team of seasoned consultants who each worked out of their own homes. For large clients, we operate in client service teams, just as we did when I had staff, only instead of meeting at an office, we discuss client project on the phone, via email and over lunch!

IDENTIFYING INDEPENDENT EXPERTS

Most small and mid-size public relations firms outsource graphic design, photography web design and collateral production. It's also fairly standard to outsource writing tasks when they're overloaded. There are many other types of activities, however, that your clients may ask you to do – or that you can market – that demand highly specialized expertise. More often than not, there are qualified independent experts in your region who can perform these tasks for you. Here are just a few:

- Media relations specialist
- Writer
- Editor
- Community relations consultant
- Government relations consultant
- Investor relations expert
- Creative director
- Speech writer
- Media training expert
- Social media expert
- Speaker training expert
- Market researcher
- Website developer
- Website manager
- Graphic designer
- Advertising copywriter
- Videographer
- Special events manager

How many other virtual team members can you add to the list?

Tip: Know the IRS rules about how to determine whether someone is an employee or independent contractor (see the end of this chapter for the rules)

BOOSTING PROFITS WITH A VIRTUAL TEAM OF EXPERTS

To understand how outsourcing can be a major profit generator for you, we need to start with a short discussion of profitability goals. For the vast majority of public relations firms, **success means achieving a minimum profit of 15 percent per year.**

If your profits drop below 10 percent for three to five months in a row, your firm may be headed for trouble, because either your revenues are too low, your expenses are too high, or both. A low profit margin means there are not sufficient funds to reinvest in the business for capital improvements, marketing and other vital business expenses or to pay off debts. From a personal standpoint, you'll want to set aside some profits for your retirement, second home or your child's college education. To get back on an even keel, you must work to either increase revenues, or reduce expenses, or both.

On a more positive note, when profits climb to 20 percent or even higher, congratulations! You're managing your firm extremely well. You have the funds to pay down loans, lines of credit and credit card balances, hire needed staff, reinvest in the business or take that dream vacation. The goal, therefore, is to strive to exceed the industry average of 15 percent profit and achieve 20 percent profit each year.

What does this have to do with hiring independent experts? Plenty. Your virtual team can represent a 30 to 50 percent profit margin on many client projects. Here's how.

When I changed my business from an employee-based to consultant-based model, I did not change my fee structure. As mentioned in earlier chapters, I believe that my experience and specialized knowledge is equal to or better than that of large firms in my market. The fact that I

work from home or have low overhead has no bearing on my fees. I'm not alone in this belief. I know several senior attorneys who serve 'of counsel' to law firms. They primarily work at home and go to the law firm or client's offices as needed. The law firm charges premium rates for their time due to their substantial expertise.

My typical fee structure is as follows:

Agency principal (me)	\$250 to \$275 (higher fee for crisis or litigation support)
Media specialist/strategist	200 to \$225
Writer	175
Editor	150
Project manager	125

In our market, senior consultants with 10 to 20 years of experience charge between \$125 and \$150 per hour. Therefore, if I charge \$200 to \$225 for their time, my profit is approximately \$75 per hour.

Now, take another look at the independent expert list you reviewed earlier in this chapter. At some point, your clients may need the services of most of these experts. You can handle their requests in one of three ways. You can a) say you don't know anyone to recommend, b) give away the name of the expert so the client can contact them directly, or c) present the expert as your team member.

The only option that's profitable for you is (c). Teaming with independent experts means you can add markup to their fees. **This is one of the most important concepts in this workbook.** One way to achieve a stellar 20 percent or more profitability per year is form relationships with the best independent experts in your region or specialty area and present them as your team members to your client.

In 2003, a long-time national financial services client told me they were creating a sister

company and wanted our help in launching and sustaining a public relations program for the new company. I knew this was going to become a very big account. By this time, I had completely changed my business model and was working exclusively with consultants. I called Holly, a consultant I knew with excellent marketing communications and management skills and asked her if she was interested in working on the account. She agreed and within two years, our client service team had grown to 10 independent consultants.

You may think, why wouldn't the client prefer to hire the consultants directly, or even insist on it, rather than pay your markup? It may surprise you to know that most clients want you to shoulder the responsibility for managing the public relations process. Many clients just don't have the time or inclination to directly manage a whole roster of experts or all the day-by-day details. They want your firm to be responsible for keeping projects on time and on or under budget, for ensuring quality and to serve as their primary point of contact on projects.

Think of markup this way: it reflects all the hours you've put in to identify, research and test top-notch experts, and your promise to your clients to manage the work efficiently. Your fees are the sum total of your reputation, your management ability, your commitment to excellence, and your dependability. Also consider your markup as investment in your future. You will use these profits to market your firm, thus ensuring your success and continuing work for your consultant team.

EMPLOYEE OR INDEPENDENT CONTRACTOR?

One of the benefits of virtual staff is that you generally do not have to pay any taxes on payments to independent contractors.

Know the IRS guidelines to avoid inadvertently blurring the lines between employees independent contractors. Otherwise, you may risk an audit that determines you owe back taxes on wages paid to someone the IRS considered to be an employee.

According to the IRS, the general rule is that an employer, as the payer, has the right to control or direct only the result of the work done by the independent contractor, not the means and methods of accomplishing the result.

Contact your accountant if you have any questions as to how these facts pertain to you. The complete guidelines are online at www.irs.gov/publications/p15a.

Behavioral Control

Instructions that the business gives to the worker. An employee is generally subject to the business' instructions about when, where, and how to work. The amount of instruction needed varies among different jobs. Even if no instructions are given, sufficient behavioral control may exist if the employer has the right to control how the work results are achieved. The key consideration is whether the business has retained the right to control the details of a worker's performance or instead has given up that right. the work results are achieved.

Training that the business gives to the worker.. An employee may be trained to perform services in a particular manner. Independent contractors ordinarily use their own methods.

Financial Control

The extent to which the worker has unreimbursed business expenses. Independent contractors are more likely to have unreimbursed business expenses than are employees. Fixed ongoing costs that are incurred regardless of whether work is currently being performed are especially important.

The extent of the worker's investment. An independent contractor often has a significant investment in the facilities he or she uses in performing services for someone else. However, a significant investment is not necessary for independent contractor status.

The extent to which the worker makes his or her services available to the relevant market. An independent contractor is generally free to seek out business opportunities. Independent contractors often advertise, maintain a visible business location, and are available to work in the relevant market.

How the business pays the worker. An employee is generally guaranteed a regular wage amount. An independent contractor is usually paid a flat fee for the job. However, it is common in some professions, such as law, to pay independent contractors hourly.

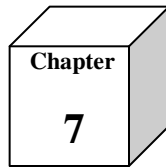
The extent to which the worker can realize a profit or loss. An independent contractor can make a profit or loss.

Type of relationship. Facts that show the parties' type of relationship include:

- ***Written contract***
- ***Whether or not the business provides the worker with employee-type benefits***
- ***The permanency of the relationship***
- ***The extent to which services performed by the worker are a key aspect of the regular business of the company.***

Excerpted from www.irs.gov/publications/p15a





Building a Virtual Team

How would you like to build a loyal team who will provide quality work when you need it, enhance your firm in the eyes of your clients, and help you win new business from current and existing clients, all without adding payroll? Sounds like a dream, but, it can come true. This chapter is about establishing long-term relationships with key independent experts whom you will rely on to assist with many projects over time, not one-time assignments. Once you've identified your needs (see Chapter 6), the next steps are to find your virtual team members, assign pilot projects, and ultimately, establish lasting working relationships.

STEP 1: LOCATING INDEPENDENT CONSULTANTS

No matter where you live and work, there are some terrific senior level experts in your community; you just need to know where to look. Start by defining the types of experts you need. Is health care your niche? Focus your search on writers, strategists, graphic designers and others who have expertise in health care. Spread the word by contacting:

- News rooms
- PRSA and professional association chapters
- Consultant networks
- Colleges and universities
- Resumes

News Rooms

Editors can be a wealth of information about freelance writers. Let them know what type of experience you're looking for, and ask for recommendations or resumes. We've found some great writers this way. We've also discovered terrific photojournalists who we use to chronicle special events and do other publicity shots by asking photo editors for recommendations. Many newspaper photographers do quite a bit of freelance work.

We have a great relationship with Rick, the editor of a local business publication. We'll trade referrals on writers and photojournalists when he's looking to hire them or we're looking for freelance help. One day Rick called to say he had met with a writer who had come into the news room one day to introduce herself and seek freelance writing assignments. She also had a media relations background, and Rick thought Gina would make a great addition to our team. I interviewed Gina and agreed with his assessment. We've called Gina in on a wide range of assignments to tap both her writing abilities and media relations skills.

Later, one of Rick's editors left the publication to start her consulting business. We became one of Sandi's first clients. She is a remarkably fast and talented writer and editor who easily tackles diverse assignments. We've also tapped Sandi to role-play the reporter's role when we conduct media training sessions for executives.

***Tip:** Call editors, not reporters. If you contact reporters directly to find out if they are available for freelance work, you may risk endangering your reputation and theirs by causing a potential conflict of interest. Let the editor steer you in the right direction. For example, you may be seeking someone to edit a lengthy document, such as a manual. The editor will know which reporters or editors on staff may do freelance editing, and whether the project presents any conflict.*

PRSA Chapters

If you are fortunate to have a chapter of PRSA in your region, get to know the members who are solo practitioners or operate small firms. Find out what niches they serve, and their interest in teaming with you. You're seeking people who will complement, not compete with your firm. If you do not have a PRSA chapter in your area, check out the directory and other services offered to members of PRSA's Independent Practitioners Alliance (see below.) Seek out associations that serve marketing, investor relations, advertising, social media and other specialists in your area.

Let's say you plan to concentrate on issues and crisis management. Your idea is to come into an organization, help them resolve the crisis, and move on to the next client. We've discovered that helping clients through crises creates a deep and enduring bond with top executives. Once the crisis is over, clients often want to continue the working relationship. For instance, employee communications programs often need to be put in place after a difficult merger or acquisition. If employee relations is not your area of expertise, find a chapter member who does this very well. Then, when the opportunity arises to recommend employee relations to the client, introduce the consultant as a member of your team. Chances are very good that if you have inspired trust and confidence in your abilities, your client should be receptive to continuing the relationship with you and your team members once the crisis is over.

Consultant Networks

In recent years we have witnessed an explosion in networks for independent communications consultants. Some offer online directories while others offer opportunities to meet people face-to-face. These networks provide you with an opportunity to market your firm as well as identify potential consultants.

One national resource is PRSA's Independent Practitioners Alliance. The alliance "helps independent practitioners to network and share information with other PRSA members who share their entrepreneurial spirit." The member directory lists practitioners by region, specialty

and industry. The Independent Practitioners Alliance also offers teleseminars and events held in conjunction with the annual PRSA International Conference.

Since my goal is to ultimately introduce team members to my clients and develop long-term relationships. I look for opportunities to find consultants in my local area. The Professional Communications Exchange (findprofessionalcommunicators.com) in Orange County, California is a good example of an active organization that welcomes full-time communications professionals with a minimum of three years' experience as members. For an annual fee of \$100, members can post their capabilities on line and attend six meetings a year to hear speakers and network.

Colleges and Universities

College and university professors can become a tremendous resource to your firm. One way is by identifying professors who are conducting research in a field that is closely aligned with your client base, and asking them to assist in strategy development. For example, say your niche is health care for seniors. You and your client have decided to launch a program to educate seniors and their families to how to cope with the effects of Alzheimer's disease. A local professor has developed a reputation for her research in this field. Talk with the professor about becoming an advisor to you on the project. Note that this is not the same as asking her to be an unpaid source to the media. The idea is to test your strategies against the experience of a qualified expert and gain insight into tactics to add or adjust in your program.

If a local college or university offers courses in public relations, journalism or communications, you've found a great reservoir of writing, editing and teaching experience. Contact the dean or professors you may know to identify professors who may be retiring soon, or have retired, and others interested in teaming with you.

For three years, until he moved out of the area, we retained Jack, a retired journalism professor, to help our staff to improve their writing skills. Jack conducted periodic writing workshops which the whole staff found valuable. He also edited news releases, articles and plans that our

staff faxed to him and turned assignments around within 24 hours. We involved Jack in strategy sessions, new business meetings and client media relations training. Jack loved teaching and his interaction with our staff, who he viewed as his "students." They, in turn, thoroughly enjoyed working with him, and we saw a definite improvement in their writing skills as a result.

Resumes

Shortly after you announce the formation of your public relations firm, you're likely to start receiving resumes from people seeking full-time jobs. Even if you're planning to be a sole practitioner, don't stuff them in a file or throw them away. Review each resume to determine whether the person has the specialty expertise you seek. If so, call to see whether they may have an interest in doing consulting work. You'll be surprised at how many senior practitioners who apply for jobs are, in reality, weighing their options and trying to decide between working for an organization full-time and becoming an independent consultant themselves. Your call may be the beginning of a beautiful relationship!

When we were an employee-based firm, I wanted to hire an account executive with government and community relations expertise. Rather than taking out an ad, we decided to send an email describing the potential AE's credentials to approximately 50 business associates who knew our firm and had experience or contacts in this arena. As we had hoped, they passed our information along to their contacts and we soon began receiving resumes. The interesting twist was that we not only heard from people seeking full-time work, but people who either were already working as consultants, or wanted to become consultants and work with our firm. Several held such high-level positions that it never would have occurred to us to contact them directly about consulting assignments. They became part of our consultant data base.

STEP 2: ASSIGN A PILOT PROJECT

Once you've researched potential members of your team, you're ready to take step two and assign

a project to them. No matter what their credentials are or how highly they were recommended, you want to find out how well they're going to work with you before you integrate them into your client team. Start by assigning a short-term project so that you can gauge their:

- understanding of the assignment
- quality of work
- ability to complete the task by deadline
- whether they met the assigned budget
- level of cooperation in working with you and your staff

Tip: don't give a new consultant a project with a very tight deadline. If you're not happy with the results, you may have to redo the project on a crash basis or may not have time to fix the project before it's due to the client.

Prepare a confidentiality agreement: A confidentiality agreement sets the terms of your working relationship and is intended to protect the confidentiality of information you will share, as well as your relationship with your client. Most independent experts are accustomed to signing confidentiality agreements before they begin working with public relations firms (see sample confidentiality agreement at the end of this chapter.) Email the agreement to the consultant and ask for a signed copy before you share any information about the client assignment. As with any form in this workbook, have your attorney review the agreement to ensure that it meets the laws in your state.

Prepare a scope of work: To ensure that the consultant will achieve the results you seek, prepare a written overview of the assignment. Include background on the client and assignment. Attach supporting materials such as media kits, plans, annual reports and other background. Most importantly, write up a scope of work describing the desired results and deadlines. You may have a set budget in mind, however, more likely you will establish the project budget in discussions with your consultant.

Schedule a meeting: Once you've prepared a scope of work and confidentiality agreement, you're ready to meet with the consultant to conduct a more in-depth meeting to learn more about

his or her experience, specific skills and billing rates. If the consultant lives in your area, schedule a face-to-face meeting. You want to determine if the consultant is someone you want to introduce to your clients. If you retain a consultant out of state, schedule a conference call or Skype meeting. The meeting also serves as an introduction to your firm, the niches and clients you serve, your client service approach and overall management philosophy.

Some consultants have a set hourly rate, while others charge different rates for different projects. For example, a former journalism professor who became a valued editor, strategist and overall resource charged three rates: lowest for editing, next highest for writing and highest for counseling and participation in strategy and client meetings.

Determine the budget: As a final step, ask the consultant to give you a ballpark of the number of hours needed to do the assignment. If the figure fits within your budget, give them the approval to proceed with one caveat: that you will need a written estimate of hours, and expenses if appropriate, the next day. By writing an estimate, the consultant can reflect on his or her ballpark estimate and make any necessary adjustments. The written estimate is your contract with the consultant that he or she will not exceed the estimate without your approval. Another option, once you agree verbally to an estimate, is to send an email to the consultant specifying the budget. Either way, **never give a consultant approval to proceed with a project without getting the budget in writing.** The same holds true if the scope of work should change. Let the consultant know and ask for a revised estimate.

Be available for follow-up questions: Once you've provided consultants with their first assignments, anticipate that they will have questions. Return their calls and e-mails promptly so they can proceed, and contact them as soon as you have any new information that may impact the assignment or changes to the scope of work. Let's say your client calls to ask you to expand website content from eight to 12 pages. Let your writer know immediately, and ask for a revised timetable and budget within 24 hours. Once you have this information, you can alert your client to the schedule and budget required to complete the project. The fastest and most effective (and often preferred) way to communicate project updates and changes with our busy, mobile experts

is via e-mail. If the changes are complex, schedule a phone call and follow-up with an email detailing the key points you discussed. When you've assigned a project that may take weeks or even months to complete, request that your consultants give you updates on a regular basis to keep the project on track.

Praise: It's common courtesy. Be sure to express your appreciation for a job well done. When consultants turn in their assignments, they're looking for more than a check. They want to know what you and the client thought of their work. If you were disappointed with any aspect of their work, let them know how they can do a better job of meeting your expectations next time. Take time to commend a consultant who went above and beyond, for example, by working over a weekend to meet a client's new, accelerated deadline. The key to building long-term, successful relationships with independent experts is to make the experience one that is mutually satisfactory and rewarding. Saying thank you is an important first step.

STEP 3: ESTABLISHING LONG-TERM RELATIONSHIPS

There's a big difference between using freelancers for spot assignments and building a consultant team. It takes time to integrate experts into your team. It's well worth your time, because the more consultants know about your firm, the more they will enhance your success.

Here are a few ways to establish solid, pleasant ongoing working relationships with virtual team members:

Prompt payment: We pay our consultants within 30 days of the date of their invoice. Despite ups and downs in the economy, we have never once held payment to a consultant because a client was late in paying us....not once since we opened for business in 1989. The best consultants can choose to work with you or other firms and clients. Honoring your financial commitment is an important way to help ensure that they will put you first.

Pay their going rate: We expect consultants to charge us the same hourly billing rates they charge clients they work for directly. We don't ask them to reduce their rates so we can charge more markup. When you ask consultants to reduce their rates, they may begin to question why they should work for you when their other clients are willing to pay their standard rates. We don't want to affect their attitude or willingness to work with us. As with any policy, however, there are exceptions. A consultant may offer you a reduced rate in exchange for a substantial assignment.

When our vice president, Jill, learned she was pregnant with her first child, the first thing we did was celebrate. The next was to map out a strategy to accommodate her needs and those of her clients. Jill wanted to work full-time up until her eighth month, reduce her hours during the ninth month, and then take a two to four-month maternity leave before returning to work. The question was how to handle her client workload for three to five months? The solution was to retain Kelly, a consultant who had worked with our firm and had direct experience with Jill's clients, for a guaranteed number of hours a month. Kelly worked 40 hours during Jill's ninth month, and another 40 hours the next. Because of this significant commitment of time, Kelly gave us a small discount on her hourly rate. However, once we took Kelly off retainer, her rate returned to what it was previously.

As a postscript to this story, Jill decided not to return to work full-time. She became an independent consultant, and we continued to work together for many years.

Staff presentations: If you have employees, introduce your staff to new team members so they will understand the advantages of working with them. Ask the consultant to conduct a workshop to explain what they do and how she can be a resource to the firm. Reimburse her for the hour or so that she spends with you – it's time very well spent. Establish an office policy to provide your staff with guidelines as to how and when to work with your experts.

For example, before we gave approval to staff to work with an expert, they needed to

demonstrate why they needed help and provide an estimate of the consultant's fees for the project.

Brainstorming sessions: One hour of your consultant's time can add tremendous depth and creativity to brainstorming sessions. Provide your consultant with a backgrounder on the subject of the brainstorm a few days in advance. During the brainstorm, you'll have the opportunity to see your consultant in action, and how he or she interacts with you and your staff or members of your team. Try inviting several consultants to a brainstorming session. You'll be amazed at how quickly your team can come up with a host of solutions to a client problem.

New business: When you are a sole practitioner or small firm, having a virtual team can make the difference between winning and losing a new account. Especially in situations when you are competing against more established firms, you'll want to demonstrate that you have the personnel to handle the account, fill in any perceived gaps in your experience or skills or offer a new approach.

We were one of five firms competing for a new shopping center account. The potential client made it clear that they wanted a firm with shopping center experience to help plan a major grand opening event a year or more away. However, when we investigated further, we realized that the most important service we could provide right away was a program to gain community support and city approvals of the project. We involved one of our community relations consultants in our first meeting with the client. Despite our lack of direct shopping center experience, we won the account due to the strength of our team and strategic approach to their immediate problem.

Top-notch consultants can also bring excellent new business opportunities your way. They may learn of opportunities that are too large for them to handle alone. They may get a call from a potential client but have a conflict of interest, and pass the lead on to you. Involve your trusted virtual team members in periodic new business brainstorm sessions to trade leads and information about accounts you might pursue together. Ask them to participate in new business meetings on the condition that they will have a role on the account once you win the business.

This will reassure clients that your team will provide continuity, and reinforce your relationship with the expert.

Client meetings: This is the one area that some public relations firm owners resist. It's an understandable fear –what's to stop a consultant from stealing your account? One reason is the confidentiality agreement you've asked all your consultants to sign (see the example at the end of this chapter.) Beyond this piece of paper, there are other reasons why this is unlikely to happen.

Once you've worked with a consultant on a few projects and have discovered that both of you enjoy working together, you and the consultant become a team. You both see advantages of working together over time. You like the benefits described earlier in this chapter. She likes working with you because you offer ongoing and hopefully interesting work, pay her bills on time and help them to feel part of your firm.

Remember that one of the reasons you're working with consultants is to off-load yourself and perhaps your staff, too. For the team member to be effective, he or she may require direct contact with your client. What's the point of retaining a consultant if you have to be the go-between on every detail of a project? Once you've worked with virtual team members on a few projects and have developed a level of trust and confidence in their capabilities, introduce them to your client. Explain the consultant's role on the project, and your role in meeting quality, timeliness and budget requirements. Even clients who initially may be skeptical about the virtual team approach quickly see the value and become the biggest fans

The same shopping center client referenced above was at first resistant to our designating a major role for an "outside" community relations consultant. However, shortly after we started work, the client said to me, "if all the consultants you hire are of the same caliber as Sharon, we'd be delighted to work with them."

Team meetings: If you had a staff, you'd meet with your client service teams on a weekly basis. Apply this idea to your consultant teams. Although you are working with dedicated,

conscientious people who should be capable of delivering projects on time and on budget with no supervision, client needs and deadlines are likely to change. When we had a large client service team we held weekly conference calls on regularly scheduled days and times. During these calls, we reviewed all pending projects, responsibilities and deadlines. We also carved out time to discuss new projects. These project management meetings typically lasted from 30 minutes to an hour. This was not the time for brainstorming sessions, however. If we needed to develop an annual public relations plan or discuss a change in strategy, we'll set a separate meeting, usually one that was face-to-face.

Consultants choose the independent lifestyle because they enjoy working on their own. Since so much of our team communication is through e-mail and phone, I surveyed the members of my consultant team to see how often they wanted to get together in person. They responded that they would enjoy getting together with other team members on a quarterly basis. We usually scheduled a quarterly lunch to discuss client topics. In addition, we had two fun events every year; a daytime summer party at a beach or park so consultants could bring their families and a holiday party at a nice restaurant.

Annual assessments: Once or twice a year, sit down with each of your consultants over coffee or lunch to discuss your working relationship. What do they like about working with your firm? What areas would they like to improve? How can you work more effectively as a team?





Exercise

Assembling Your Virtual Team

1) List three media contacts that could refer you to writers and other communications specialists.

1. _____ 2. _____ 3. _____

2) Identify three college professors who are doing research in the niches you have chosen.

1. _____ 2. _____ 3. _____

3) Identify one or more colleges or universities which offer courses in journalism, public relations or communications.

1. _____

2. _____

4) List at least three PRSA chapter members who could potentially complement, not compete with you.

1. _____ 2. _____ 3. _____

5) Go through your resume file and select three people to contact to determine their interest in consulting to you.

1. _____ 2. _____ 3. _____

6) Go online and familiarize yourself with national and regional consultant directories. List three websites for future reference.

1. _____

2. _____

3. _____

7) Look ahead three months. Are you planning to take a vacation, or travel out-of-town for more than a few days on business? If so, list the projects that you'll have pending at that time:

1. _____

2. _____

3. _____

Now, list potential consultants who could help you on these projects while you're away:

1. _____ 2. _____ 3. _____

Independent Contractor Agreement

Note: Following is an Independent Contractor Agreement that our attorney developed for us. Be sure to have your attorney review and refine the agreement to ensure that it meets the laws of your state.

SAMPLE FORM

This Independent Contractor Agreement ("Agreement") is made by and between Gladstone International, Inc. (the "Company") and _____ ("Contractor").

RECITALS

- A. The Company is a public relations firm located at _____.
- B. Contractor is an individual engaged in the business of assisting and coordinating public relations projects and possesses knowledge, expertise and experience of a unique and special value to the Company, who desires to acquire the benefits of such knowledge, expertise and experience. Contractor has a main office at _____.
- C. In consideration of the promises herein contained it is agreed as follows:
1. Agreement. The Company hereby retains Contractor in a consulting capacity with respect to the business of the Company, and Contractor agrees to perform consulting services for the Company with respect to such business of the Company.
 2. Capacity. Contractor represents to the Company that Contractor has the right and authority to enter into this Agreement, and that there is no agreement or obligation of any kind with any other person, corporation or other entity which would prevent Contractor from performing Contractor's duties, responsibilities or obligations to the Company pursuant to this Agreement.
 3. Term: This Agreement shall be in effect on a month to month basis, and may be terminated at any time by either party for any reason or no reason whatsoever upon thirty (30) days' written notice to the other party.
 4. Duties: Contractor shall perform all duties, which may be assigned Company. During the term of this Agreement, Contractor shall advise, consult with and assist the Company with respect to the following matters (the "Consulting Services"): proofing, editing and related services.
 5. Work Schedule: Contractor shall perform Contractor's duties at such times and places as Contractor selects in order to complete projects assigned. Contractor will attend meetings set up by the Company for projects on which Contractor is working.

6. **Contractor's Fees and Expenses:** For the full, complete and faithful performance of each and all of the Contractor's duties, responsibilities and obligations pursuant to this Agreement, the Company agrees to pay Contractor \$40 per hour for public relations project coordination and related services. Company and Contractor will reevaluate this hourly rate in two months (January 9, 2004).

The payment of the amounts described in this Section 6 is the entirety of the consideration, pay, fees, benefits or other things of value to be provided by the Company to Contractor for services rendered pursuant to this Agreement, and Contractor is solely responsible for supplying, at Contractor's own expense, any and all equipment, tools, supplies, instrumentalities, places of work, facilities and other things or services which Contractor may need or require in order to perform Contractor's duties, including, without limitation, an automobile, for which Contractor shall provide insurance at Contractor's sole expense.

Notwithstanding the foregoing, pre-approved travel, entertainment and out-of-pocket expenses shall be reimbursed by the Company upon submission of appropriate documentation.

7. **Confidential Disclosure.** Except to the extent that the proper performance of Contractor's duties pursuant to this Agreement may require disclosure, or upon the written consent of the Company's President, Contractor shall not, before or after any termination of this Agreement, disclose to any person any proprietary information or trade secrets or other confidential information of the Company, including, without limitation, client lists, client contacts public relations strategies or financial information of Company.

8. **No Predatory Solicitation.** Contractor agrees that during the term of this Agreement and for one year thereafter, Contractor will not, either directly or indirectly, disrupt, damage, impair or interfere with the business of the Company whether by way of interfering with or raiding its officers, employees, clients, prospects or agents or in any manner attempting to persuade any such persons to discontinue any relationship with the Company, without having received the Company's prior written permission to do so. Contractor is not, however, hereby restricted from being employed by or engaged in a competing business subsequent to any termination of the Agreement.

9. **Duties of Contractor After Termination of this Agreement.** Following any termination of this Agreement, other than by reason of the death of Contractor, Contractor shall fully cooperate with the Company in all matters relating to the winding up of Contractor's pending work on behalf of the Company and the orderly transfer of any such pending work and of Contractor's duties, responsibilities and obligations to the Company to such person or persons as the Company may designate in its sole discretion. Further, Contractor will immediately deliver to the Company any and all material or property of any kind or nature whatsoever in Contractor's possession, custody or control belonging to the Company.

10. Survival of Certain Provisions. Each and all of the terms, provisions and/or covenants of Section 7, 8 and 9 of this Agreement shall, for any and all purposes whatsoever, survive the termination of this Agreement.

11. Independent Contractor Status. Contractor is an independent contractor who is not subject to the direct control of the Company. In the performance of Contractor's duties, pursuant to this Agreement, Contractor is solely responsible for achieving each and all of the standards applicable to Contractor, which may from time to time be established by the Company. However, the Company shall have no right to, and shall not, control the manner or prescribe the method of accomplishing the duties of Contractor set forth in this Agreement. Contractor is not authorized for any purpose or in any manner whatsoever to bind the Company or to make any representations or agreements on its behalf, except such representations or agreements, if any, which have the specific, prior, written authorization and consent of the Company's President.

The Company and Contractor expressly agree that (1) neither Contractor nor any employee, agent, contractor or representative of Contractor is an employee or agent of the Company, and (2) the Company and Contractor are not joint venturers or partners for any purpose whatsoever. No provision of this Agreement may be construed to make Contractor an employee or agent of the Company or to make the Company and Contractor joint venturers or partners. Contractor will not be covered under any of the Company's insurance policies or other benefits or policies, including, without limitation, the Company's policy of workers' compensation insurance, health insurance, retirement plan or any other benefits provided to employees of the Company.

Contractor shall be responsible for the payment in full of all applicable federal, state and local taxes, including, but not limited to income, social security, unemployment and state disability taxes, that may be due by an independent contractor and agrees to indemnify the Company for any losses, damages or claims, including, but not limited to attorney's fees, asserted against the Company arising out of Contractor's failure to pay such taxes.

12. Compliance with Laws. Contractor shall remain in complete compliance with federal, state, municipal or foreign laws during the term of this Agreement.

13. Indemnification. Contractor expressly agrees to indemnify and otherwise hold harmless the Company and each and all of the Company's officers, directors, shareholders and employees from and against any legal actions, claims, demands, obligations, and liabilities whatsoever, including all actual attorneys' fees, arising from, without limitation, any of the following: (1) any violation by Contractor or by the Company of any law, statute or ordinance of any state or other jurisdiction if the violation was attributable, in whole or in part, to Contractor's acts or omissions or from any violation by Contractor of any law, statute or ordinance of any state or other jurisdiction; (2) the conduct of Contractor in the performance of Contractor's duties pursuant to this Agreement; and (3) violation by Contractor of any provision of this Agreement.

14. Insurance. Contractor is solely responsible for furnishing, at Contractor's own expense, automobile insurance, general liability insurance and workers' compensation insurance

to cover Contractor and Contractor's employees, if any. Contractor shall supply certificates of insurance to the Company upon the Company's request.

15. Notices. All notices, requests, demands and other communications pursuant to or relating to this Agreement shall be given in writing and shall be deemed given upon hand delivery or within forty-eight (48) hours of being deposited in the United States mail; first class, registered or certified mail; postage prepaid; and addressed to the party at the address described in the Recitals at the beginning of this Agreement. The Company and Contractor may change the address at which such notices, requests, demands and other communications shall be given by written notice to the other in the same manner as specified above in this Section 15.

16. General.

A. Contractor's Obligations Are Personal. The obligations of Contractor pursuant to this Agreement are personal and not assignable or delegable by Contractor to any other party. Contractor may not assign the consideration payable to Contractor nor may Contractor delegate any of Contractor's duties pursuant to this Agreement.

B. Waiver. No waiver of any breach of any provision of this Agreement shall be deemed to be a waiver of any preceding or succeeding breach of the same.

C. Sole and Entire Agreement. This Agreement is the sole, complete and entire agreement between the Company and Contractor concerning the duties to be performed by Contractor for the Company. This Agreement supersedes any and all prior agreements and negotiations, whether oral or written, if any, between the Company and Contractor.

D. Amendments. This Agreement becomes effective only when executed and delivered by both the Company and Contractor, and no modification relating in any manner to this Agreement will be effective unless it is embodied in a written document signed by the party to be charged.

E. Severability. To the extent that any provision of this Agreement shall be found to be illegal or unenforceable for any reason, such provisions shall be modified or deleted in such a manner as to make this Agreement, as so modified, legal and enforceable under applicable laws.

F. Applicable Law. This Agreement shall be interpreted pursuant to the Laws of the State of California.

G. Construction: The language of this Agreement shall be construed as a whole, according to its fair meaning, not strictly for or against Contractor or the Company and with no regard to the identity or status of any person or persons who drafted this Agreement.

"Company"
(Name)

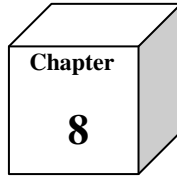
Dated: _____

By: _____

"Contractor"
(Name)

Dated: _____

By: _____



Finding Advisors to Guide Your Growth

It's lonely starting a new business. You may feel isolated, overwhelmed and a little bit scared. Money worries may loom large. This may be the first time in your career that you haven't received a steady paycheck. It was for me.

In my first three or four months in business, my favorite part of the day was the arrival of the mailman. Around noon he'd pull his truck into the cul-de-sac where I lived. Six days a week at 12:05 p.m., I'd run outside to get my mail, hoping to receive a client check or two. The sense of relief was almost overwhelming when a check turned up. I'd think, "Whew! I can pay the mortgage this month."

You *can* diminish cash flow concerns and other worries by finding great advisors who can guide your growth and help you master the art of running a business. Your advisor's role is:

- to help in long-range planning
- to ensure the accuracy of key documents
- to be readily available to handle urgent needs

Today's technology makes it easy to handle a myriad of tasks yourself. Now that I work primarily on my own as a crisis counselor and media trainer, handling financial requirements is much simpler. Instead of having our CPA do our tax returns, Ed uses TurboTax software to do them himself. However, if you are just starting out or planning to add staff or consultants, I highly recommend that you consider lining up five key advisors:

- CPA
- Banker
- Attorney
- Insurance Agent
- Management Consultant

In this chapter, you'll learn more about how each of these advisors can help you. You can use the questionnaire at the end of this chapter to help you select advisors who are right for you.

Do Your Homework

We've all regretted decisions we've made in a hurry. If I take my car into the repair shop a few blocks from my house, instead of shopping for the service that is most knowledgeable about the make of my car, not only will I pay more up-front; I could experience costly problems later.

So when you prepare to choose your advisors, do it carefully. Do your homework. Don't rush out and hire a relative, friend or neighbor. For instance, retaining your partner's husband as your firm's attorney could cause problems for you should you have a falling out with your partner. If you retain your next-door neighbor as your CPA, and you decide to change CPAs a year later, you may be hiding in the bushes every time your neighbor walks his dog. If you do decide to hire an advisor with close ties, have a heart-to-heart talk first to clear the air about any concerns you may have. Then, schedule a review session in three or six months to evaluate your working relationship and resolve any issues before they become major concerns.

Big or small advisory firm?

A big law firm, accounting firm or bank can offer many resources, such as many specialized services under one roof. However, you may pay higher fees for firm expertise you may never

need. If you choose a larger firm, try to ensure that you'll get the same quality of attention as its large clients. One tip for working successfully with a larger firm is to find a practitioner with two to four years of experience who is seeking to develop his or her practice, and is eager to work with you. Younger attorneys and CPAs are out networking to drum up business – just as you are – so keep your eyes open.

A smaller firm with a roster of small business clients offers a big plus -- personal service. If you retain a one to three-person firm, you're guaranteed the personal attention of the firm's principal. The downside is that no small firm can provide expertise on every issue that may arise. The key question to ask is how do they deal with issues outside their area of expertise? A small consulting practice may not have all the answers at their fingertips, but they can network with other experts in a "virtual firm" model (see Chapter 6) to develop solutions to your business problems.

The best way to find a good consultant is to ask for referrals from people you know and respect. Ask the owners of small professional service firms who face challenges similar to those faced by public relations firms (advertising agencies and graphic design firms) for referrals. Ask for referrals to people they have worked with for three years or more – consultants who have proven themselves over time. Time is a good test of service, quality and loyalty.

Finally, don't choose an advisor solely because of his or her hourly rates. Said Michael Lasky, a New York City-based attorney who specializes in advertising, marketing and business law, "You may sometimes be better served by someone at a higher hourly rate who may be more experienced and efficient."

Establishing Long-term Relationships

One great value of finding good advisors early is the ability to build close, long-term working

relationships. My advisors are much more than professional colleagues; they're friends. Your advisor needs to know everything about how you operate your firm. You'll feel much more comfortable divulging information to people you trust, who you've grown to know, like and respect. As a small business owner, you'll also find that your advisors' responsibilities overlap your personal and professional lives. Your

- CPA will generally do both your business and personal tax returns
- attorney may advise on client billing dispute and sale of personal property
- insurance agent may provide recommendations on health insurance for your staff and disability insurance for you
- banker may provide line of credit for your business or home equity loan

Let's start with the people who will help you manage your money: your CPA and your banker.

HOW YOUR CPA CAN DOUBLE AS YOUR CFO

When I first started my firm, I tried continuing my working relationship with a CPA who had prepared my personal tax returns for several years. While he did a fine job handling my personal returns, it quickly became apparent that he was not accustomed to dealing with more complex business returns and the myriad of financial and reporting tasks associated with a new, fast-growing business. I then hired a new CPA who specialized in small businesses. Let me tell you what happened next.

Every month, I diligently forwarded my monthly income statements (see Chapter 11) to my new CPA. I never received any feedback, so I thought, I'll stay the course and save as much as possible. Then, in October, we met to review year-to-date financials and projections for the year. He told me the total taxes I would need to pay, based on this forecast of projected income and expenses. I nearly fell out of my chair! To me, \$40,000 was a huge amount, almost equal to the entire salary I had earned the year before I started the company. When I recovered, I became angry. I had postponed purchasing some much-needed equipment, such as a copier and computer upgrades for my staff, because I didn't think we could afford them. I immediately went on a shopping spree and bought all the office equipment and supplies that we had put on hold, and managed to reduce my tax burden significantly.

I then set out on a mission to find a new CPA who would serve as more than a tax preparer. I wanted a CPA who could double as my firm's CFO. Thanks to a recommendation from my banker at the time, I found Hugh Moran, who has offered unerring advice, support and encouragement.

Look for a CPA who is proactive, and who will take a personal interest in helping you grow. A diligent CPA should:

- help you balance your personal and business financial planning, as well as retirement and estate planning
- recommend whether to lease or buy equipment and help you make other financing decisions
- discuss long-range planning goals, including when to make major purchases
- zealously review each month's financial statements
- counsel you on ways to reduce expenses, including debt service (interest)
- encourage you to save
- know when the time is right to expand
- tell you up-front what deductions are allowable and to what extent
- review your computer hardware and software needs
- help you choose your business entity for current and future needs
- demonstrate an active interest in getting to know your business and industry

Your CPA will help you in preparing tax returns and provide many other important services.

Tax Advice

Tax Planning. A good CPA will review your budgets and forecasts for the year and look at different tax scenarios to aid you in making decisions before year-end, such as whether to purchase needed equipment as in my earlier example. Start your tax planning process at the end of September. By that time, you'll have a good idea as to your expected income and expenses. Review the different scenarios with your CPA, and fine-tune tax strategies in the fourth quarter.

Tax Returns. Rather than deliver a shoebox full of expense receipts to your CPA at tax time, do monthly financial statements to account for all business expenses, and keep receipts in monthly expense folders (see Chapters 10 and 11). To save time (and fees), ask your CPA to provide you with a tax preparation worksheet before the end of the year, and record charitable donations, mutual fund interest and other pertinent details to help your CPA complete an accurate tax

return. The more organized you are, the less time your CPA needs to complete the returns. You will also be much more popular with your CPA!

Business Property Taxes. You will (surprise!) have to pay annual property taxes on the furniture and equipment you own. You'll also pay property taxes on business real estate. The business property tax statement takes additions, dispositions and depreciation into account, so you may prefer to ask your CPA to complete this yearly form.

1099s. If you choose to work with independent consultants, you will need to issue 1099s at the end of each year for payments of \$600 or more. Your CPA can prepare and issue 1099s to your consultants for you.

Sales Tax. Sales tax is the most confusing of all taxes you will pay. In California, for instance, the rules are not clearly defined for the public relations field. However, the State Board of Equalization generally characterizes as taxable projects collateral materials printed for distribution such as newsletters, annual reports and brochures. Videos and news releases are not considered taxable projects. Check with the Board of Equalization in your state or with your CPA. You are responsible for collecting sales tax on applicable charges, so remember to charge sales tax upon project completion; not just out-of-pocket expenses, but all fees (including time charges) incurred to complete the project. Most small businesses need to complete a sales tax return every quarter and attach a check for all the sales tax charged that quarter. Consider asking your CPA to complete the sales tax returns if you do collateral production work.

Tip: Some clients will ask why they are being charged sales tax on these projects. Ask your CPA to draft a letter on his or her letterhead that explains your state's regulations. This letter has satisfied our clients' questions.

Audits. In the event that you are audited by the Internal Revenue Service, State Board of Equalization, other government agency or a client (it happens), ask your CPA to handle the audit. If your CPA has prepared your income tax and sales tax returns, he or she will be in an excellent

position to defend these returns in an audit.

Other Services

As your CFO, your CPA may offer many valuable services besides tax planning and tax preparation. A few include:

- **Representation.** Ask your CPA to accompany you to meetings with your banker if you're looking to increase your line of credit. Have your COPA assemble or at least review your loan package. Your CPA may also represent you in meetings with your banker or attorney.
- **Administration.** To ensure accuracy, you may want your CPA to prepare and/or review payroll tax returns and financial statements, including accounts receivable and accounts payable.
- **Check-signing.** Our CPA signs vendor checks when we're on vacation. We have the utmost confidence in our CPA, as we have worked with him for more than 16 years. Be careful – don't entrust this task to your CPA or anyone else unless you know them very well.
- **Corporation requirements.** Draft your shareholder minutes and send them to your CPA for review to meet incorporation requirements
- **Personal net worth statements.** Your CPA can provide an annual statement of all of your personal assets and liabilities, which may prove helpful when you seek a loan or increase to your line of credit. Provide your CPA with contact names, phone numbers, addresses and the like to help him or her prepare your statements cost-effectively.
- **Retirement planning.** Consult with your CPA to set up a retirement plan to maximize the benefit to your employees and yourself. Revisit the retirement plan, as tax laws and your staffing structure change.

YOUR BANKER: HOW TO ASK FOR A LOAN

Ideally, you should have six to 12 months' savings in the bank, so that the start-up period will not force you to alter your lifestyle. This almost never happens.

-- Hugh Moran, CPA, MBA

Fortunately, it doesn't take much money to launch a public relations firm if you're planning to start from home. You may already have a good computer system, printer, cell phone, smart phone and other business tools. All you may really need to do at the outset is produce and print your business cards, create a website and stock up on office supplies.

It's wise, however, to have funds to cover living expenses while you're building your roster of clients, and to tide you over during dry spells when you're waiting for clients to pay your bills. Should you decide to move from your home to an office, you'll need funds to cover the office lease security deposit, purchase office equipment and furniture, pay for the move and many other expenses.

Few of us have set up a special business start-up account to save for the day when we'll be on our own, although this is not a bad idea! We're far more likely to tap our savings, borrow from a relative, run up our credit cards or take out a personal consumer loan or home equity line of credit.

While they're convenient sources of funds, each option has its downsides.

- **Tapping your savings** – It may take a long time to replenish funds that you earmarked for your retirement, your child's college education, home improvements or emergencies.
- **Borrowing money from a relative** – You'll want to have a written agreement that explains when the loan is due, the payment plan, the interest rate, what happens if you default -- to avoid problems that could affect your family relationships later.
- **Using your credit cards** – Watch out for high interest charges. Credit cards can be profit-busters. If you have thousands of dollars' in credit card purchases per month and pay between 15 and 20 percent in interest, you may wipe out all your profits and have a hard time getting ahead and creating positive cash flow.
- **Taking out a personal consumer loan** or home equity line of credit. Be conservative

and draw down only the funds you really need. Pay down the balance when cash is available to minimize interest and reduce the unlikely yet frightening risk of foreclosure.

One alternative is to establish a relationship with a local business bank, whether or not you need a loan right away. It's better to plan and secure a loan while you're still employed. Bankers are conservative and risk-averse. They're more willing to approve your loan application if you can show them a W-2 form and show current employment. Establish a loan or line of credit before you need it. Bankers are more eager to make loans when you do not need the money and can demonstrate more than one source of repayment.

Establishing a Relationship with a Business Bank

Your current bank or credit union may serve your personal banking needs just fine. They're great at offering personal checking accounts, setting up CDs and assisting with home loans. Why seek out a business bank? Consumer banks often base lending decisions on length of employment and current salary, not your business plan. When you apply for a business loan, they are often more skeptical and distrusting of the documentation you provide.

A bank that caters to small businesses offers a better understanding of your needs and more opportunities for financing. A business bank is interested in helping you succeed, for as you grow, so will your banking needs. You may start with a small line of credit to move into your first office, and 10 years later, take out a term loan to buy the building! Try to increase your line limit and lower your interest rate each year. Banks competing for your business will have to at least match the terms you have negotiated with your current bank.

A good banking relationship also helps in establishing good credit with vendors. For example, it's often inconvenient to pay large invoices on the spot, so we fill out credit applications with printers and other vendors to give us a 15- to 30 day payment window. The first question the vendor always asks is, "What is the name of your bank?"

Here are some things to look for in a small business bank:

- Select a bank that focuses on small to mid-size businesses or that has a division that attends to the needs of small business. Make sure the bank deals with start-ups and businesses with less than \$5 million in annual sales. Inquire whether they make small loans of \$10,000 to \$250,000, not just large loans.
- Interview the branch manager or loan officer. Ask them what lending limit they can authorize. If the amount is too low, try to find a loan officer with a higher limit. You want to establish a relationship with someone who has the flexibility to assist you with your lending needs over time. Big banks have deep decision hierarchies. You want to deal with a decision-maker.
- Find out what the loan officer knows about public relations or professional service firms. If he or she doesn't have much experience in our field, or seems to focus on manufacturing or retail businesses, they may not be the right loan officer for you. If the loan officer doesn't have a comfort level in our business, there may not be much chance for loan approval. Get a sense for whether the banker wants to get to know your business and will put energy into your relationship.

Determining the Loan that's Right for You

Small business loans come in many forms. They include:

- **Revolving Lines of Credit** – Primarily for interim working capital financing, a line of credit offers maximum flexibility so you can borrow funds as needed, repay and borrow again during the life of the line, usually renewed annually.
- **Small Business Administration (SBA) loans** – Offer real benefits for qualified small

business owners and are underwritten by many lenders. There loans for specific needs such as starting a women-owned business. Real estate loans offer a lower down payment and longer repayment period.

- **Term loans** – Financing for a fixed period, usually longer than one year, typically to make large purchases like computer and office equipment and furniture or finance growth.

A popular choice of start-ups is the revolving line of credit. You can use the line of credit like a credit card, with two important differences. The line of credit typically renews annually and there is often a provision to have a zero balance for 30 consecutive days during the year. However, interest rates on a line of credit are typically tied to the Prime Rate plus a margin and are far below that of most credit cards.

I had very little savings when I began making plans to launch my firm. I built up a small reserve by doing freelance work (with my boss' permission) while I was still working full-time. Next, I found a bank that catered to small businesses and took out a line of credit. The line of credit was my life preserver. I hoped I wouldn't need to use it, but it gave me great peace of mind to know it was there. I drew on the line of credit about six months later; when receivables were slow, to pay vendors and consultants.

Winning Loan Approval

Whether you are planning to start your business one week, one month or one year from now, you'll want to get your financial house in order before requesting a loan from your bank.

- Develop a business plan (see chapter 3)
- Review your credit report. You can request a free copy once a year from any one of three major credit bureaus. Alert the credit bureau immediately if you spot any inaccurate information.
- Pay off outstanding debts. Reduce or eliminate your credit card balances.

- Gather and copy your personal Federal tax returns and W-2s for the past three years
- Develop a personal statement of net worth to summarize assets, liabilities and the supporting details. Attach copies of recent statements.

Next, prepare for your meeting with the banker. If you've already started your business, discuss the lending process with your CPA. Talk about the pros and cons of arranging for a **secured line of credit**, using assets such as your home as collateral. Invite your CPA to participate in your meeting with the banker to vouch for you, demonstrate the seriousness of your intent to start a business and assist in answering financial questions. Be prepared to answer a host of questions, including:

- How much money do you need, when and why?
- Do you have a budget? When do you plan to repay the loan, and how?
- If you are married, does your spouse work? Can your spouse cover basic living expenses while you start your firm?
- If the new business effort doesn't work out, could you find a job quickly and pay back the loan? Would you try again? Banks like to see at least two sources of repayment.
- Have you completed a business plan? (see Chapter 3)
- Do you have experience in the field you've chosen to operate your business?
- Have you developed business contacts in the community? Could they lead to new business for your firm?
- Have you kept your skills up-to-date through training, course work and other means?
- Are you committed to your new venture?

SECURING EXPERT LEGAL ADVICE

Attorneys are liability avoiders.

- Rich Zepfel, attorney-at-law

Mention "attorney" and expensive billing rates pop into mind. As a new business, however, you can't afford not to retain qualified legal assistance before you start your business.

It's a good idea to become familiar with legal issues that may affect your business, so that you can anticipate potential problems, know when to seek legal advice and evaluate the advice you're given.

The temptation may be to start out by doing some of your own legal work, such as incorporations, client contracts and other documents. It can be a good idea. You can often draft basic legal forms for your attorney to review, which is much more cost effective than asking your attorney to complete the project from start to finish. You can find information and forms through the Internet or self-help books and software published by Nolo Press and others. Be careful, however, to always seek your attorney's review and approval of your work. Different states have different laws, so if you use a "one size fits all" form, you may incur expensive problems later on.

The public relations practice is growing increasingly more complex. At some time in the life of your business, you may face an array of legal issues such as:

- complex contracts, especially with government agencies and large corporations
- personnel issues
- wrongful termination issues
- adding a partner
- client billing and collections problems

- lease negotiations and agreements
- copyright and/or trademark infringement
- First Amendment issues
- deciding whether to be a corporation, partnership, limited liability company or other
- type of business

Jane and Linda formed PR Ink as a partnership. They decided to fill out incorporation documents on their own. However, they didn't deal with some of the tough issues, such as who really owned the business – was it a 50/50 partnership or owned 51 percent by Jane and 49 percent by Linda. They left this section blank.

Three years later, Jane and Linda had a big fight. Linda decided to leave the firm and sued Jane for her share of the business. However, since they never established ownership, they couldn't resolve the dispute over what Linda was entitled to receive. The dispute dragged on so long and was so debilitating that the firm eventually went out of business.

Here's another example:

Jack never got around to correctly forming his corporation or issuing stock. After a few months in business, he asked his Uncle Harry to invest \$20,000 in his business. Jack used the money to rent a swanky office, buy the latest computer equipment and top-of-the-line furniture. At the end of the first year, Uncle Harry demanded his money back. Since Jack never properly complied with securities laws, his uncle, as a shareholder had the right to “rescind” his investment and was entitled to his money back. After talking to a lawyer, Jack realized that he had to return the money immediately or risk some serious problems with the state government.

LEGAL STARTER KIT

Before you open your doors for business, have you completed all the necessary legal filings?

Your legal starter kit should include:

Business License. Whether you will work from home or an office, most cities require that you obtain a business license, renewable annually. With a home office in particular, you will need to meet certain city requirements. Some cities, for example, prohibit you from selling products out of your home because it may create traffic and parking problems in the neighborhood. You should check your homeowner's association or apartment rules and regulations to make sure you can set up a home business.

DBA Filing. If you are a sole proprietor, you will need to file a fictitious business name or "doing business as" DBA statement to legally establish the name of your company. Most newspapers can help you place a classified ad that will fulfill this requirement. Choose a smaller daily or weekly paper to pay the lowest rate.

Name Search. Make sure the name you're planning to use isn't already in use. The exception is when you use your own last name, i.e., Franklin & Associates or Robert Allen Consultants. To do a name search, you can either use the Internet or ask your attorney. In some states, like California, you will need to reserve the name with the Secretary of State.

Employer I.D. Number. Register your business with the government to obtain Federal and state employer I.D. numbers. Your attorney or CPA can help you obtain the number, which you will need for payroll, income and other tax returns.

Incorporation. Most attorneys will say you should incorporate when you start a new business. However, you may find that it makes the most sense to incorporate when you start hiring employees, entering into large contracts or after you have been in business long enough to decide that it is truly your chosen path. You do not want to spend the money to incorporate if there is any chance that you might decide to go back to being an employee. If you plan to stay a one-person business, working from home, you may not want to incorporate. Discuss the pluses and

minuses, including fees and taxes, with your attorney, CPA and insurance agent. Tax, accounting and insurance issues are important to consider when making this decision.

***Tip** Your major obligation once you incorporate, aside from paying corporate tax return-related taxes, is to prepare minutes of directors' and shareholders' meetings at least once a year. You can save on advisor's fees by writing your minutes yourself and having your CPA review them. Your CPA will forward the minutes to your attorney, who will file them in the corporate minute book. Don't be fooled by mailings you get about your minutes that look official but are really scams.*

Letter of Agreement. The letter of agreement is your contract with new clients. It specifies the date you started work, your hourly billing rates, and your payment terms. It should also contain language to protect you in the event of a legal dispute. Please see the copy of our firm's Letter of Agreement on the next page. I will credit attorney Michael Lasky again for his help in creating our original Letter of Agreement and Rich Zepfel for helping to keep it up-to-date. Ask your attorney to review your Letter of Agreement to ensure that it complies with state laws and restrictions.

Confidentiality Agreement. This agreement (sometimes called a Non-Disclosure Agreement) is designed to protect proprietary information you share with employees and consultants. The letter acknowledges that improper use of the information could be damaging to your firm, and the signer promises not to use or disclose the information to third parties. It is critical to have all employees and consultants sign the agreement before they start working with you. A copy of our Confidentiality Agreement is located at the end of Chapter 7. As with the Letter of Agreement, review the Confidentiality Agreement with your attorney before you use it.

Buy/Sell or Shareholder Agreement. If you decide to incorporate and have more than one shareholder, this Agreement makes sure that control of the business stays with those who are working there. It may also deal with what happens to the business if one owner dies, becomes disabled, or just wishes to quit.

LETTER OF AGREEMENT

Note: Following is a Letter of Agreement that our attorney developed for us. Be sure to have your attorney review and refine the agreement meets the laws of your state.

Dear:

We are pleased to provide public relations services to as of. In this letter of agreement, we set out the terms of our arrangement with you. "We," "us," and "our" refer to (insert your firm's name), and "you" and "your" refer to (insert client name.)

We will provide you with public relations strategic counseling and implementation, crisis communications planning, media relations, media training and related services on an hourly basis. We are sensitive of the need to manage and control costs, so when possible, we will provide written cost estimates for specific projects before proceeding to execute major ideas, plans, programs or campaigns. We agree that we will not incur charges greater than 15 percent above written project estimates without your approval.

Charges for our services will be made at the following hourly rates: president and CEO, ____; media relations specialist, \$____; writer, \$____; editor, ____, project manager, ____ administrative assistant, \$____. For crisis management situations that require intense focus and after-hours involvement, please add \$50 per hour to the above rates.

We take seriously our duty to preserve your confidences and proprietary matters. We shall not disclose information you designate as confidential without your written permission, other than to our team members, counsel and other professional advisors we believe necessary to fully meet our obligations under this agreement, or as required by applicable law or judicial or administrative order. We may, however, disclose our representation of you to other actual and potential clients.

We will bill out-of-pocket expenses such as telephone, delivery, postage, transportation, hotels and meals at net. Additional expenses including printing, photography, graphic design, clipping services etc. will be billed at standard agency markup of 20%. Invoices for our charges and reimbursement of out-of-pocket expenses will be payable within thirty days of receipt of invoice. Invoices not paid after thirty days will incur a 1.5% late payment penalty. Failure to pay our invoices within 30 days after the date of invoice may, at our discretion, result in suspension of any or all service to you until payment is received, and may result in termination of the agreement. We shall incur no liability of any kind to you for such suspension or termination. In the event that we must retain counsel or other services to enforce this agreement, you shall be responsible for all such costs and expenses including reasonable attorney's fees.

We hope and trust that our relationship with you will be long and valued. Nevertheless, either of us may terminate our services for any reason with thirty (30) days' prior written notice. You remain liable for all fees, disbursements and other related charges incurred up to the date of

termination, as well as all amounts that we must pay to third parties pursuant to non-cancelable agreements we entered into in performance of this contract. Provisions in the agreement related to payment, confidentiality, indemnification, dispute resolution and waiver shall survive termination of the agreement.

You acknowledge that we cannot undertake to verify facts, information or materials supplied by you to us or factual matters included in material prepared by us and approved by you. You shall have the sole responsibility for authorizing and approving the dissemination of all information and materials released on your behalf. You shall be solely responsible for the accuracy, completeness and legal compliance of the information about you that you provide or approve for our use. Accordingly, you agree to defend, indemnify and hold us harmless from and against any and all losses, claims, damages, expenses (including reasonable attorneys' fees and disbursements) or liabilities which we may incur:

- (i) as a result of any false materials, releases, reports or information supplied to us by or on behalf of you or prepared by us and approved by you prior to its dissemination;
- (ii) resulting from disputes between us and third parties related to and/or within the scope of this agreement, except if due to our negligence or misconduct; and
- (iii) arising out of the nature or use of your products or services.

This provision will survive the expiration or earlier termination of this agreement.

The Code of Professional Standards, as adopted by the Public Relations Society of America, guides our firm's operations for the practice of public relations.

You agree that during the term of this Agreement, and for one year following its termination, you will not solicit or encourage any employee or independent contractor of ours to end his or her relationship with us. Further you agree that during such period you will not hire, retain or otherwise contract with any employee or independent contractor of ours (or anyone who has been so associated with us within one year prior to the proposed hiring or retention).

If we get into a dispute, we will first try to settle the dispute amicably through discussion and negotiation. If that fails, any claim arising out of or related to this contract shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator or arbitrators may be entered in any court having jurisdiction thereof. The arbitration shall take place in (insert your jurisdiction.)

Notwithstanding anything else in this letter, in no event shall either of us be liable to the other for any punitive, incidental, consequential, or other special damages in connection with any claim arising out of or related to this contract. In no event will the aggregate liability which either party may be obligated to pay to the other as a result of any action or proceeding exceed \$50,000, plus any attorneys' fees that may be awarded

This agreement (1) may not be assigned by either of us without prior written consent of the other; (2) shall bind and benefit each of us and our respective permitted successors or assigns; (3) supersedes any previous contracts, understandings, or discussions with respect to its subject matter, (4) is an integrated contract that may be amended only in a written document signed by the parties, and (5) the parties consent to the exclusive jurisdiction of the courts (and AAA arbitration panel) located in Orange County, California.

Please contact us immediately if there should be any question or concern of any kind about any of our billings. Open and candid communication about billings is critical, and you should not harbor any unexpressed concern. Often we can answer billing questions from our notes, memories or other materials if the question is promptly raised. Unless promptly contacted by you upon receipt of one of our billings, it will be understood that our billing is acceptable.

If this agreement is acceptable to you, please sign below on both copies and return one set to us.

We thank you for this opportunity to be a part of your team and look forward to working with you.

Sincerely,

(Your Firm Name)

By _____ Date _____

ACCEPTED AND APPROVED:

By _____ Date _____

INSURING YOURSELF AND YOUR BUSINESS

If you're going to climb a mountain, be prepared for all conditions.

- Larry Hogan, CLU, LUTCF

It may surprise you to learn how many different forms of insurance you need when you start a public relations firm. The key is to find an insurance agent who can guide you through the maze of insurance needs and shop for policies that are right for you. You might ask your accountant, attorney or business colleague who they recommend. In many small businesses, a knowledgeable insurance agent can play the role of your human resources department.

Look for an agent who is not tied to any particular company who will compare policies offered by many insurance carriers. An agent should be able to explain various policies and other insurance-related matters. Let your agent know what you expect from him or her. You should feel satisfied that the agent is listening to you and looking for ways to get you the right type and amount of insurance at an affordable price.

After getting referrals, qualify the agents by asking the following questions:

What kind of training and education have you had?

How do you keep up-to-date with developments in your industry?

Will you meet with my attorney or accountant, if appropriate, to coordinate my total financial plan?

Will you explain both the costs and coverage so that I fully understand what I am buying?

How often will you review my insurance to make sure it is keeping up with my changing needs

Do you belong to professional associations and/or hold any professional designations?

Just as a CPA has more credibility with banks and the IRS than accountants, seek insurance agents who have earned one or more of the following credentials:

CLU	Chartered Life Underwriter
ChFC	Chartered Financial Consultant
CFP	Certified Financial Planner
REBC	Registered Employee Benefits Consultant
FSS	Financial Services Specialist
CPCU	Chartered Property Casualty Underwriter

Once you have completed this process, select the agent who has the background, credentials and personal style you're looking for.

Insurance Categories

In this section, we will cover three insurance categories you should be prepared to discuss with your agent:

- Insurance for you
- Insurance for your business
- Insurance for contingencies

Insurance for you

Health Insurance – Some new business owners forgo health insurance when they start. Don't risk it, even for a day. Take steps now to establish a health insurance policy.

1) Continuation coverage – If you have health insurance at your current job, ask whether your employer offers a continuation of your policy should you leave. In states like California, they require that some employers extend insurance coverage for up to 36 months. The downside is that your monthly premiums may be more expensive than if you sought your own health insurance policy.

2) Add yourself to your spouse's policy – If you are married, find out the costs involved in adding yourself to your spouse's policy. This is usually the least costly route to take.

3) Establish a new policy – Your insurance agent will shop for the plan that is best for you and your family. The good news is that many forms of health insurance are available to small business owners today. In California, for example, health plans are available to companies with as few as two people. Investigate what plans you can take advantage of in your state:

- Indemnity
- Health Maintenance Organizations (HMOs)
- Preferred Provider Organizations (PPOs)
- Health Savings Accounts (HSAs)

If you decide to hire staff, your agent can help you select and implement a health plan and then communicate the plan to your employees.

Personal Disability Insurance. Should you become sick or disabled, disability insurance replaces your lost income so that you can cover personal expenses. Your age, health and income will determine your monthly premium.

Life Insurance. If you have group life insurance at your present job, you will probably lose this benefit when you start your firm. Your agent may be able to convert this insurance, however, at a much higher premium. If you are in good health, it could be advantageous for you to secure coverage through your agent to help protect your family in the event of your death.

Insurance for your business

Your business insurance needs will vary based on your structure – whether you are a sole proprietor, partnership or corporation. Your business structure will also determine whether your insurance expenses are tax-deductible. No matter what your structure, following is a list of

insurance products that you may consider at some point in your business life cycle:

Business Insurance. Business property insurance and casualty insurance are designed to cover loss of your business equipment or other property due to a natural disaster or theft. Every state requires it. If you operate your firm from home, let your agent know, so you can add home office equipment to your homeowner's insurance policy. Our clients require proof of business insurance, including \$1 million in business liability insurance. They recognize that we are a small business and often will accept proof of homeowners insurance instead of requiring a separate business policy.

Workers' Compensation Insurance. Workers' compensation insurance is mandated by law. Insurance companies tie your workers' compensation rate to the number of employees you have, the type of work they do (outside sales personnel who travel are considered at higher risk for injury, with a higher rate than office staff) and the number of workers' compensation claims against your firm. You do not need workers' compensation insurance unless you have employees.

Business Overhead Insurance. Pays the salaries of employees, office rent, utilities and overhead expenses should you become disabled.

Insurance for Contingencies

Buy/Sell Agreement. If something happened to you, who would take over the business? Having your attorney draw up a buy/sell agreement is prudent. Your insurance company's role is to fund the agreement with life insurance so that your heirs will receive value from its sale to a partner, an employee or someone outside the firm.

Errors and Omissions Insurance. E&O insurance is designed to protect you from claims filed against you because key information was inaccurate or omitted from work you did for a client. For example, say you sent a news release out with a typographical error that stated the price of a new automobile was \$12,000 instead of \$32,000. You could be held liable if someone decides to sue your client to purchase the car for \$12,000. The downside is that E&O insurance carries stiff monthly premiums and is not generally practical for small public relations firms. The best way to cover yourself without paying high premiums is to protect yourself with a clause in your client letter of agreement (see example at the end of this chapter.)

SEEKING ADVICE ON MANAGING YOUR BUSINESS

After just six months in my home-based business, I had three consultants and one student intern on board to handle our client work load. I felt like I was strapped to a rocket ship, moving at lightening speed into the great unknown. I wanted to talk to someone who could give me an expert's perspective on how I was doing and help me steer my course. I remembered meeting a management consultant at a Counselors Academy Spring Conference and decided to give him a call. In a day-long session in my backyard, the consultant and I conducted a thorough review of my firm's performance and developed a growth plan.

There are times when you, too, may feel like you need to talk to someone who has "been there, done that" and can give you the benefit of his or her public relations management expertise. You may want to consider contacting a management advisor when you are:

- considering getting a partner
- merging with, acquiring or being acquired by another firm
- growing fast
- having employee problems
- experiencing major client issues
- seeking advice on a broad range of topics
- interested in tailoring training sessions for your staff
- ready to review your annual financial statements
- mapping out your goals for next year
- interested in having an objective review of your business once or twice a year
- thinking about downsizing

If you want to establish an ongoing working relationship with a management consultant, be prepared to share key information, including your financial statements, meet him or her for a day or half-day on a semiannual or annual basis, and keep in touch often. Before your consultant

flies out to meet with you, prepare a detailed agenda so that you can use your consultant's time cost-effectively. Consider sending information to the consultant in advance to help the consultant prepare for your meeting and generate ideas and recommendations. PRSA's Counselors Academy can provide the names of respected management advisors and mentors who may be available to help you with questions on an as-needed basis.

***Tip.** Consider inviting your CPA to attend all or part of the meeting so that he or she can develop a deeper understanding of your operations and goals and enable him or her to give you better advice throughout the year.*

ESTABLISHING SUCCESSFUL LONG-TERM RELATIONSHIPS

We all want to establish long-term relationships with our clients. Studies show that the longer we keep a client, the more profitable the business becomes as we go through the learning curve and provide more knowledge and creativity to the account. Similarly, the longer we work with a client, the more likely we are to build the client's trust and confidence in our abilities, which translates into more and larger assignments.

Just as we value long-term relationships with our clients, we should work to establish long-term relationships with our advisors. The more our CPA or attorney knows about us and our short- and long-term goals, the better their advice and the more fulfilling the relationship.

Keep in Touch

Call your advisor at the first sign of trouble. Don't wait until the day you're about to terminate a problem client or employee. Develop a strategy with your attorney and CPA to avoid the potential of costly litigation or settlements.

Establish a regular meeting timetable. Meet with your CPA twice a year, and provide updates as needed to your attorney and insurance agent. Fill them in on your plans to open a new office in another city, bring in a partner or other major changes. By keeping in touch periodically, you can also glean valuable information on changes in state laws and regulations that may affect you.

Determine the advisability of legal audits or financial statement reviews. Some law firms advise doing a legal audit every year to anticipate issues that may evolve into problems, or just to determine that you are following legal requirements, like having a board of directors meeting and preparing minutes at least once a year if your firm is incorporated. Likewise, diligent CPAs evaluate your financial statements every month and provide feedback, while you may not hear from others until the end of the year, when it is too late to do a fiscal course correction. Talk these issues over with your advisors to determine what analysis services they provide, and when

they may be done. The optimal times to meet with your CPA for a twice-yearly financial check-up are June and October. Regular meetings will assist you in tax planning and planning course corrections. For example, if expenses are exceeding income, you can postpone making non-essential equipment or get busy doing new business! As Hugh Moran says, "you can't do any planning in April for the previous year."

Respond promptly to calls, emails and letters. Your advisors send you information for a reason. Documents are usually time-sensitive. You may have to sign the paperwork by a certain deadline, or risk late fees and penalties. Take the time to review and return your advisor's forms and paperwork promptly.

Add your advisors to your marketing mailing list. An easy way to keep your advisors abreast of the new and exciting changes taking place at your firm is to add them to your marketing mailing list. Send them your brochures, news releases on new clients and other promotional materials. Your advisors may become an excellent source of new business referrals.

I had worked with Rich Zepfel, our attorney for many years when one day he invited me to speak to an Orange County Bar Association event about managing media attention during a high-profile trial. A few years later we developed a workshop on this topic and offered it free to local law firms as a way to market our expertise in litigation public relations. Rich invited me to present the workshop at his firm, Payne and Fears. Six months later, one of the partners who attended the workshop called to ask our help on a behalf of a client who faced a difficult legal challenge. This fascinating project lasted for a full year and led to a second project.





Exercise

Interviewing Guidelines

Use this questionnaire to find compatible advisors. It works equally well for CPAs, attorneys, bankers, insurance agents or management consultants.

1. What types of clients do you serve?

Ideally, you want to work with a consultant who is familiar with the needs of a public relations business so they are in a position to give you the best possible advice with the shortest learning curve. The next best option is a consultant who works with small to mid-size service firms. Bottom-line: the consultant needs to exude energy and have a desire and ability to serve you.

Ask specific questions related to your needs. Have they personally worked with start up service firms? What types? Are they familiar with the public relations industry?

Ask for a client list, or if this is confidential information, a description of the kinds of clients the advisor serves. If the clients are predominately manufacturers, you'll probably want to look elsewhere.

However, if you plan to mainly represent health care clients, and your advisor does, too, you may have a match made in heaven. Your advisor may offer valuable advice to you because he or she know the ins and outs of regulations that affect your clients, and can review news releases and collateral materials you produce for your clients to ensure that the claims you make on behalf of your client are properly substantiated.

2. What are your credentials?

A CPA offers additional credibility when dealing with the IRS and state agencies, attorneys and other accountants. An MBA further demonstrates the CPA's thirst for knowledge and business acumen. Experience with a Big Five accounting firm further demonstrates the CPA's professional credentials and indicates he or she is well-versed in accounting and financial planning procedures.

3. How are you organized to serve my business?

Here are some questions to ask:

- Who will be your main contact? Who else will be involved in serving me?
- If it's a law firm, will the attorney delegate appropriate assignments to paralegals or

clerical staff to keep costs down?

- What happens if the main contact goes on vacation or is called away for a few days? Will a backup person be appointed in case of emergencies?
- What can your staff do on my behalf?
- If you decide to outsource your bookkeeping, can your accounting firm provide a staff member who can perform this service?
- What are the different rates for various personnel?
- When can I expect to hear back from you when I leave a message?
- Do you bring in other professionals for assistance on specialized issues?

4. Do you have time to take on new business?

Find out early on whether the consultant is overextended. Don't look for a CPA in April, for example. Do ask if they have the time to provide you with the quality service, attention to detail and personal service you want.

5. What is your billing rate? What are the rates others who may work on my behalf?

Is the first meeting or first hour free? Do the fees appear to be reasonable when compared to the benefits you will receive? Are the fees much higher or lower than other consultants in their field? How do you keep track of your time? Do you charge for telephone consultations? If so, when and to what extent?

6. How can you help me to get started in a cost-effective way?

While they may not advertise it, some firms may offer reduced rates to start-ups. They may also offer flat fees on certain projects such as tax returns that may be lower than if you incurred hourly fees. The idea is that if they help a new firm get off the ground, they will build loyalty and secure more work as the firm grows.

7. Can you provide forms to me at little or no cost to help me get started?

Ask if forms are available on routine projects such as incorporations, professional service agreements, confidentiality agreements and policy manuals. Law firms typically have such forms on their computers and will sell these forms to you. If you review them, you can save money on the final product. For example, if an attorney quotes you a price of \$2,000 to develop a personnel manual, ask if the manual is available in template form. You may be able to develop a manual for \$750 if you're willing to edit it yourself.

8. Would you be willing to edit letters and documents I create?

One way to save on legal fees is to take the first step and draft letters, board minutes (to meet incorporation requirements) and other documents for your attorney to review. You also learn

first-hand how to advance your cause in difficult situations, such as billing disputes with clients, so the next time a problem occurs, you're better prepared to handle it.

9. Are you available to your clients in emergencies?

You've got to prepare for a major trade show, finish a strategic plan, and get an annual report to the printer -- all in the same week. Oh, and it's the end of the month, so your vendors will all expect to get paid. How are you to handle this with everything else going on?

This is the time to call in your CPA to complete, or manage, your accounts payable process. Your CPA should be willing to provide on-call assistance. Ask the CPA how to reach them after-hours or on weekends in an emergency, and whether you can call the CPA at home.

10. What do you expect from me for us to have a good, long-term relationship?

You've asked the prospective consultant many questions. Now it's his or her turn to let you know what their expectations are in new clients. They may say they expect prompt payment. If so, clarify what that means -- payment within 15 days, 30 days or 45 days? Be prepared to treat them as you would like to be treated. Mutual respect is key.

Before you conclude the meeting, ask for a reference list. Call a minimum of three references. Finally, check your advisor's credentials with appropriate state and/or professional associations.



Exercise

Trust Your Instincts

Let's say that the advisors you've interviewed have passed this test with flying colors. Now ask yourself, are you comfortable taking their advice?

The following checklist will help you decide whether you're on the same wavelength as your advisors.

Do they project the following traits?

Traits	Yes	No
Honesty		
Integrity		
Trustworthiness		
Availability		
Enthusiasm		
Sincerity		
Compatibility		
Good listening skills		

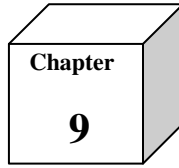
Finally, do they exhibit:

Assertiveness. Will they tell you what they think you need to know, not just what you want to hear? Will they represent you well during an audit or in court?

Resourcefulness. Do they demonstrate problem-solving creativity?

Communications skills. Do they exhibit good communications skills? Do you feel they're really listening to you? Can they explain technical subjects in layman's terms?

Responsiveness. Will they call or email you back right away or the same day when you need information quickly?



Financial Management 101

Do you remember taking the SAT exam in high school? If you've chosen a public relations career, chances are you aced the English section while math – well, let's just say you weren't eager to tell your parents how you did on that section. Here's your chance to even the score. This chapter, and the two that follow, will give you a basic understanding of the financial side of managing a public relations firm, even if math was never your strong suit.

In this chapter, I will review key financial terms. Please review them before moving on to Chapters 10 and 11, as you'll need to know these terms in order to efficiently manage your billable time and expenses and prepare financial statements. As you grow to the point where you can afford a full- or part-time bookkeeper to do these tasks, you must retain financial oversight of the process. Never forget that you, and only you, are ultimately responsible for the financial health of your business.

Consider Allison's story. She was in business for 15 years when, over the course of a few months, she began hearing from dozens of vendors, all demanding payment for past due invoices. Her bookkeeper, June, an employee for six years, told Allison that she had mailed all the checks, and said she'd have the post office put tracers on them. Allison didn't question June further. Then, one day, Allison came to work and found a note from June on her desk. In the note, June gloated about how she had embezzled funds from Allison for months before leaving town. Allison soon learned that June, without Allison's knowledge, had co-signed a signature card on file at Allison's bank. This gave June authorization to endorse checks. For several months, June had taken client checks and deposited them in her personal account, all the while letting vendor invoices pile up. Allison used her personal savings to pay most of her debts, but it

wasn't enough. The police never found June, and Allison was forced to declare bankruptcy and close her firm.

True stories like these convinced me I'd better learn the financial side of running a public relations business from the onset.

Shortly after I started my firm, my mother, a former bookkeeper, asked, "Who's doing your invoicing?" I responded, "I am, Mom." Her next question was, "Who's doing your accounts payables?" I said, "I am, Mom." She responded, "You! You've never been good at math!"

If I could learn financial management, anyone can. Fortunately, my husband Ed became our CFO in 1999 and continues to handle our firm's financial side today. Yet when I started my firm nine years ago, I was determined to become a better financial manager. Try the suggestions in this workbook. You'll be more successful at managing client budgets, easily deciphering an annual report, and having more productive conversations with a client's CFO!

Let's get started. We would like to introduce you to 15 of the most important financial terms in business. We'll use these terms throughout this chapter and the following chapters.

This is hardly an all-inclusive list. Since we are all at different stages in our business experience, this may be new to some of you and a refresher for others. We'll provide a practical definition of each term and illustrate how to relate that term to your public relations firm.

FIFTEEN FINANCIAL TERMS YOUR BUSINESS VOCABULARY MUST INCLUDE

1) **Assets** are things of value owned by a business. Examples include cash and equipment. We also call them the resources of the business. Assets have value because a business can use or exchange them to produce the services or products of the business. In your firm, your assets are cash, accounts receivables, computers, printers, copy machines, checking accounts, telephones and other equipment.

2) **Liabilities** are the debts owed by a business. Typically, a business must pay its debts by certain dates. A business incurs many of its liabilities by purchasing items on credit. Your liabilities could include credit card debt and amounts owed to vendors, subcontractors or consultants.

3) **Cash** includes coins, currency, non-deposited negotiable instruments such as checks, bank drafts, and money orders; amounts in checking and savings accounts; demand certificates of deposit and cash equivalents. One of the underlying principles of finance states that *cash is king*. Why you ask? Because cash is the most liquid of all assets-- it is instantly accessible. A business cannot survive and prosper if it does not have adequate control over its cash. When we discuss cash from a public relations firm viewpoint, we mean the cash receipts received from clients.

4) **Accounts receivable** are amounts owed to you by clients for your services previously rendered to them. Invoicing your clients create the accounts receivable. Accounts receivable are assets and are not considered cash. You should not consider these amounts cash until you receive cash payment of that invoice.

5) **Accounts payable** are amounts owed by you for previous purchases on credit or contracts. Accounts payable are considered liabilities. Examples of accounts payable are consultants' fees, legal fees, accountants' fees, credit card charges, lease payments and other business expenses on

credit.

6) **Revenues** are the inflows of assets (such as cash) resulting from the rendering of services or the sale of products to clients. We measure revenues by the prices agreed on, in exchange for which a business renders services or delivers goods. Cash from clients represents the major form of revenues for a public relations firm.

7) **Expenses** are the costs incurred to produce revenues. For a public relations firm, we can break expenses into **Client** expenses and **Business** expenses. **Client expenses** are expenses that relate to client matters. Some examples of client expenses are: cash paid for collateral supplies, client portion of telephone bills, consultants' fees and clipping services. **Business expenses** are expenses that relate to agency matters. Some examples of business expenses are: employees' salaries, non-client telephone charges, monthly lease payments, meals and entertainment and office supplies.

8) **Profit or Net Income** occurs when the revenues of a given period exceed the expenses of the same period. We often call net income the **earnings** of the company. However, if the expenses of a given period exceed the revenues of the same period, then we realize a **Net Loss** and your business has operated unprofitably.

9) **Depreciation** is an operating expense resulting from the use of depreciable company assets. Depreciable assets have a fixed lifetime. All assets, except land, eventually wear out, become inadequate or outmoded or we sell or discard them. Each accounting period, depreciation records the amount the firm's depreciable assets have devalued through daily use. Examples of depreciable assets would include computer equipment, telephone equipment, leased automobiles and office furniture.

10) **Owners'/shareholders' equity** refers to the owners' investment in the firm. If you are the sole owner, the amount of money you invest in the firm is owner's equity. Most public relations

firms, when they first go into business, operate as sole proprietorships, therefore the cash invested into the firm is the owner's equity. Owners' equity becomes shareholders' equity when the firm incorporates and you have more than one shareholder.

11) **Balance sheet**, sometimes called the **statement of financial position**, lists the firm's assets, liabilities, and owners'/shareholders' equity at a fixed point in time. A balance sheet is like a photograph: it captures the financial position of a firm at a particular point in time. This financial statement provides information about the solvency of your business. I will explain financial statements in greater detail in Chapter 11.

12) **Income statement**, sometimes called an **earnings statement**, reports the profitability of your firm over a stated period of time. We measure profitability for a period of time, such as a month or year, by comparing the revenues generated during the period with the expenses incurred to produce these revenues. Your accountant can prepare this statement and you can analyze it to measure your firm's profitability. I will also explain this statement in greater detail in Chapter 11.

13) **Budgets/forecasts** are simply a forecast of future events. Budgets perform three basic functions. First, they indicate the amount and timing of the firm's needs for future financing. Second, they provide the basis for taking corrective action when actual figures do not match budgeted figures. Third, budgets provide the basis for performance evaluation. Budgets are valuable aids in both planning and controlling the aspects of the firm's financial management.

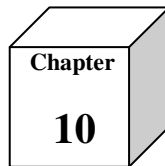
14) **Gross income** is the firm's income resulting from the dollar sales of its services or products less the cost of acquiring or producing those services or products. Once you deduct cost of goods, such as client purchases and consultants' fees from your cash receipts, the result is gross income.

15) **Taxable income** is the income you would realize after you deduct all your allowable

expenses from gross income. This resulting income amount would also indicate how much tax you have to pay, depending on the result.

Now that you have learned this financial vocabulary, you can set up business systems that will help ensure profitability.





Establishing Sound Business Systems to Ensure Profitability

You've decided to start your own business because you have a great idea, decided to do for yourself what you're already doing for an employer, or want a bigger challenge. While making money may not be the main reason why you're going out on your own, it certainly is a strong motivator. Once you launch your business, your next challenge is to *stay* in business. To do this, you must make a profit. Let's explore what making a profit really means.

Profit is equal to revenues minus expenses. Here's an easy formula:



$$\mathbf{Profit = Revenues - Expenses}$$

Revenue is basically our monthly cash receipts or our cash flow in. Expenses are the costs incurred to produce our revenues, or our cash flow out. Therefore, another way of stating profit is that it equals cash flow in, minus cash flow out. According to this formula, maximizing profits is a matter of maximizing cash flow in and minimizing cash flow out. Let's see how this formula applies in real life:

The first month Roger started his public relations firm, he brought in three new accounts. The next month, two new clients hired his firm. Roger decided to lease office space in one of the high rise office towers in town, and hired an account executive and clerical assistant. All seemed to be going very well until six months later, when Roger sent his income statement, listing his revenues and expenses, to his CPA. Roger's CPA called him immediately. Something was missing from his income statement. That something, Roger soon found out, was profit. In

Roger's haste to grow, he had allowed his expenses to overtake his income. Fortunately, Roger and his CPA were able to implement a plan of action to reduce expenses. By the end of the year, the firm had recorded a modest profit.

WHAT'S CONSIDERED GOOD PROFIT?

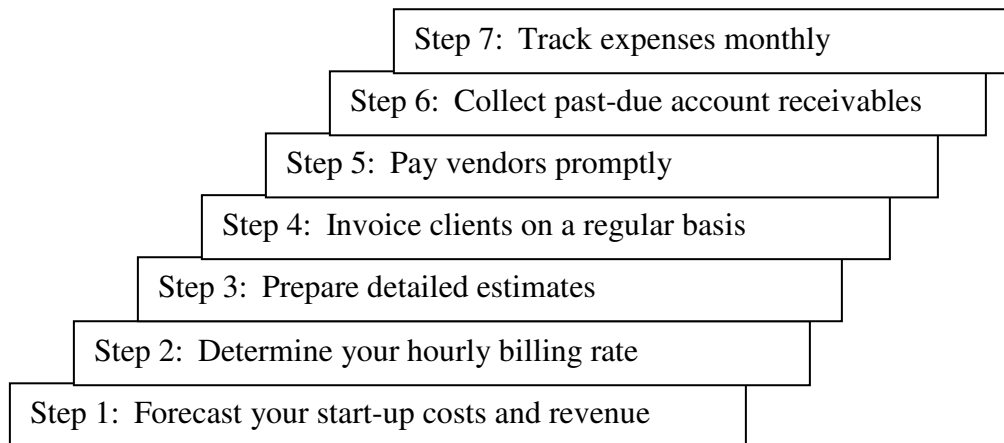
What is a good profit anyway? All companies have different profit goals. As we discussed in Chapter 6, the profit goal in the public relations industry is 15 to 20 percent. Let's say you look at your net income in the first year of operation and you see that you've made a profit of less than 10 percent. Don't panic! A 15 to 20 percent goal is not really realistic your first year in business, as you will have many start-up expenses. It's still a valuable exercise to do an analysis of your revenues and expenses. The following section addresses how to set up good business systems that allow you to make appropriate course corrections in the future.

Tip: Try to shoot for a profit goal of 15 to 20 percent. This return will outpace inflation and provide a very attractive return on your efforts.

BUSINESS SYSTEMS THAT ENSURE PROFITABILITY

Having been a systems-oriented person for 25 years, I've found that you can't beat good systems to guarantee consistent, dependable results. You will make a profit if establish and follow sound business systems. I would like to offer seven steps to help you start your new business on firm financial footing.

Seven Steps to Firm Financial Footing



Step 1: Forecast your start-up costs and revenue goals

If you are starting from scratch, you probably will purchase a computer, software, printer/scanner smart phone, and other office equipment. Chances are, you already have this equipment and more. Other significant expenses include start-up marketing expenses (for business cards, letterhead, etc.) and monthly office expenses, such as supplies. I have listed some representative numbers in the *First Year Start-up Costs* table in this chapter.

It would seem logical to just calculate your start-up costs and go from there. However, it's not that simple. An important factor for you to consider is your revenue goal for that all important first year. Why? You want to cover your expenses and hopefully, make a profit. Therefore, in order to accurately complete these calculations, you have to forecast your revenue goal. Before calculating the revenue goal, it is important that we make these assumptions:

- 1) You are starting from scratch
- 2) You want to pay yourself a salary of \$60,000 in the first year
- 3) You are going to work at home

First, complete the following exercise, *Inventory Your Equipment Needs*. Next, compare them to the *First Year Start-up Costs* chart. This process will give you a realistic overview of what you should expect to invest in your new business in your first year.



EXERCISE

Inventory Your Equipment Needs

This table is provided to help you inventory business equipment you have or need to buy to start your firm out of your home.

Check the appropriate box and provide a rough budget estimate.

EQUIPMENT	YES	NO	BUDGET
Computer and software			\$
Smart phone			\$
Business phone (If you have staff)			\$
Internet service			\$
Printer (3-in-one printers offer scanner, copier, fax features)			\$
Fax machine or fax software			\$
Data back-up (hard drive or flash drive)			\$
Desk			\$
Office chair			\$
Shredder			\$
Good lighting			\$
Supply cabinet/shelving			\$
File cabinets			\$
Other			\$
TOTAL			\$

Following is a more detailed description of why you should consider purchasing some of these items:

Data back-up system. What if your computer crashed and you were unable to recover your client documents or financial records? Disaster! One way to reduce that anxiety is to purchase an external hard drive or use a flash drive to make data back-ups regularly. We automatically back-up our data on a weekly basis. You can mark your calendar to remind you to manually back-up your data.

Scanner. What did we do before scanners? The business world is slowly becoming paperless; why not make it a reality for you? Scan documents, receipts, etc. and file them on your computer or your back-up drive.

Shredder. Use a shredder to destroy confidential documents that you no longer need such as financial records, receipts, confidential memos, etc. Do this to protect yourself and your clients from having your documents fall into the wrong hands.

Smart phones. Smart phones have become essential devices, enabling you to communicate on an immediate, real-time basis when you are out of the office. You can set up silent, text-based notifications so you can view your incoming messages and be aware of anything urgent that may arise during client meetings without interrupting that meeting.

***TIP:** Using your scanner, create and file .PDF formatted documents such as invoices, contracts, and similar documents that you email to clients and prospective clients. This can help to validate the document's authenticity if ever required) and reduce paper clutter.*

FIRST YEAR START-UP COSTS

Note: These are rough estimates based on 2011 prices.

Important: Don't forget yourself. Include the salary you want to pay yourself the first year to get a realistic picture of your first year costs.

ITEM	EST. COST
Initial Office Expenses	
• Computer and computer software	\$ 2,500
• Printer/scanner	300
• Flash drive/hard drive for data backup	25
• Shredder	150
• Smart phone	150
• Desk, chair, lighting	600
Marketing expenses	
• Design, print letterhead and business cards	500
• Website design, production	3,000
Office Expenses (annually)	2,400
• Computer maintenance	
• Web hosting	
Telephone charges (annually)	2,000
Office supplies	1,200
• Paper, print cartridges, postage, pens, etc.	
New business development	
• Meals, entertainment	
• Gas, auto expenses	5,000
• Memberships	
Advisors (<i>CPA, lawyer, etc</i>)	4,000
Intern/part-time help	1,200
Health insurance	7,000
Other	3,975
SUBTOTAL	\$34,000
Your salary	60,000
TOTAL	\$94,000

Step 2: Determine your hourly billing rate

One of the most frequently asked questions we hear is, “How much should I charge for my time?” We briefly discussed how to set staff billing rates in Chapter 5. You can use the following *Billing Rate Worksheet* to help you establish your personal billing rate.

This worksheet provides an analysis of the number of hours available to work in a year. Start by deducting two weeks for vacation. Your first year in business you’ll work hard and deserve some time off! Reserve another two weeks for sick time, unexpected family obligations and other contingencies. Deduct one week for national holidays, like the Fourth of July, Thanksgiving and Christmas. This leaves a grand total of 47 work weeks. Assume you will work an average of 40 hours per week. Multiply 40 hours times 47 weeks, and the result is 1,880 available work hours in a year.

Of the 1,880 hours available to work, a certain number will not be billable. You will have new business development, marketing and administrative duties. Non-billable time can consume up to 25% of your time, especially when you start up. That reduces your 1,880 available hours by 470 hours, leaving a grand total of 1,410 potentially billable hours. Divide that result by 12 and you can expect to bill approximately 117 hours per month.

Now let’s say you need \$10,000 a month in revenues to cover all expenses, including your salary and to achieve profit goal of 15 percent. Divide 115 potential billable hours per month into the monthly revenue goal of \$10,000. Your hourly billing rate becomes approximately \$90 per hour. This is a mathematical formula for calculating your billing rate. You should also consider other factors, such as competitive rates in your area and whether you offer specialized services that command higher rates.

BILLING RATE WORKSHEET

How much should I charge? Let's do the math:

1)	How many weeks in a year?	52
2)	How many weeks of vacation?	2
3)	Difference (#1 minus #2)	50
4)	Contingency time (<i>weeks</i>)	2
5)	Work weeks remaining	48
6)	Celebrate holidays (<i>1 week</i>)	1
7)	Work weeks remaining	47
8)	Potential billable hours for year (<i>assume 40 hours/week</i>)	1880
9)	75% of 1840 hours is billable	1410
	<i>Non-billable activities:</i>	
	<i>About 25% of your time is consumed with</i>	
	<ul style="list-style-type: none"> • <i>New business development</i> • <i>Marketing</i> • <i>Administrative</i> 	
	<ul style="list-style-type: none"> • 1410 hrs/year in hrs/month (<i>1410 divided by 12 months</i>) 	117
	<ul style="list-style-type: none"> • Need monthly revenues of 	\$10,000
	<ul style="list-style-type: none"> • Then your billing rate is (<i>\$10,000 divided by 115</i>) 	\$90/hr

Step 3: Prepare detailed estimates

One of our clients needed us to coordinate an elaborate special event. We prepared a detailed estimate, forecasting staff time, catering and other expenses. The estimate totaled \$28,500. After the event was over, we tabulated our time and expenses. We were almost exactly on target – we came in \$78 under budget!

Once you've established your hourly billing rate, you're ready to apply it in real life. It's one thing to tell a client how much you charge for your time and quite another to use your rate to calculate the cost of a project or month's retainer. This section will review how you can prepare an accurate forecast of time and expenses. Following are two samples. One is an internal worksheet that we call a *Project Estimate Worksheet*, the other is the *Estimate* we send to clients.

Project Estimate Worksheet

The *Project Estimate Worksheet* (see following page) divides the project into tasks and expenses and will help you develop the client estimate. As the sample form indicates, the worksheet is divided into categories of line item charges. With each of those line items are hours and rates and a space for any assumptions, etc. you made to achieve the estimate. There is also a section for calculating out-of-pocket (OOP) expenses, such as graphic design, production, printing, delivery and other charges.

Don't forget to add 17.65 to 20 percent markup to appropriate expenses. Also add a miscellaneous category to cover long-distance telephone, postage and deliveries, etc. Once you fill in the hours and rates and run the numbers, you then make the grand total calculations. You are now ready to put together your estimate.

PROJECT ESTIMATE WORKSHEET				
Client:			Job#:	
Date:		Project: <i>New Product News Release</i>		
TIME EXPENSE				
ACTIVITY	HOURS	RATE	ESTIMATE	NOTES
Interviews				
Online, other research				
Write outline/first draft				
Final draft				
Editing				
First client revision				
Second client revision				
Final copy				
Production				
Distribution				
Media follow-up				
TOTAL HOURS				
OUT OF POCKET EXPENSE				
DESCRIPTION			ESTIMATE	
1. Photography				
2. Business Wire, PR Newswire				
3. Other				
TOTAL TIME				
TOTAL OUT OF POCKET				
GRAND TOTAL:				

Estimate

The next step is to transfer a summary of the *Project Estimate Worksheet* information to the client estimate. There are basically five elements in an estimate:

- 1) Heading
- 2) Scope of work
- 3) Fee and expense breakdown
- 4) Approval authorization
- 5) Terms

Heading. Underneath your logo, in bold, capital letters, put the word “Estimate.” The heading includes the client name, date, project name and the estimate tracking number. The estimate tracking number becomes a handy reference when you have subcontractors and vendors helping you with several projects for the same client and you need to keep them all straight. We use a coded number for the estimate that combines the client’s initials and the date of the estimate. For example, WFC80211 means “Whole Foods Corp., August 2, 2011.”

Scope of work. This is a short description of what you plan to do for the client. Don’t write a book. Provide enough detail so the client understands what services you plan to provide.

It is important that both you and the client are clear on the scope of work prior to starting. Having this in writing provides a clear understanding between both parties and will avoid disputes when you invoice the client for your work.

Fee and Expense Breakdown. Provide a work breakdown structure indicating the major tasks you will perform to accomplish the work, and how much you anticipate each will cost. Review the *Project Estimate Worksheet*. It is just a matter of collecting the costs and entering them into the right categories. For elements that are related, I usually include a grand total instead of listing each sub task.

Approval authorization. Before you proceed with any project, be sure your client signs and dates the estimate. This is your contract with the client to ensure you will be paid. Don't incur time or expenses without a signed estimate or at a minimum, an email authorizing you to start work on the project. It eliminates misunderstandings down the road, when people's memories have faded.

Terms. Give yourself some breathing room by indicating that you may need to submit a revised estimate (or change order) should the scope of work change. For instance, you may work on a four-page newsletter, but then the client switches to eight pages. Since it's difficult to predict time and expenses on an estimate with 100% accuracy, a 10-15% cushion covers higher-than-anticipated costs. Finally, production projects usually require sales tax (check with your State Board of Equalization) and should be added when you complete your invoice on the project.

***Tip:** When you complete the Project Estimate Worksheet, add 10 percent to your total anticipated fees. It's far better to estimate a little high and come in under budget, than to go back to the client for more funds. However, if the scope of work changes dramatically, issue a revised estimate and immediately and obtain the client's written approval to proceed.*

Step 4: Invoice clients on a regular basis

Establish an invoicing schedule and stick to it. Don't let yourself get so caught up in servicing your clients that you postpone invoicing them. Any delay in getting your invoices out the door can seriously affect your cash flow. Realize that great clients will pay you in approximately 30 days, while others may take 60 days or longer. The invoicing process becomes easier when you use the right spreadsheet software, having helpful team members who enter their time on a timely basis and having someone with a keen eye help edit the worksheets.

Computerizing the Invoicing Process

Use time-tracking software. If you are a sole practitioner, you may choose to enter your time on a paper timesheet or computer file, use Quickbooks to record your time, and then transfer this information to your client invoices. Once you add staff or team members, consider easy-to-use, time-tracking software. We recommend Timeslips. Timeslips now offers an online time-tracking system. (www.timeslipsecenter.com.) Our consultants log on to the Gladstone International account, enter their time according to specific clients and projects, and they're done. Entries cannot be viewed by anyone except the consultant and us. Then, when we prepare invoices, all we have to do is download the ecenter slips into our resident Timeslips database (a five minute process at most) and we are off and running.

Enter vendor invoices promptly into your time-tracking and accounting software when you receive them. This way they don't "*fall into a crack*" and get lost. If that happens and they resurface later, it may be more difficult to bill your client, since you completed the project long beforehand.

Review worksheets. We invoice on a monthly basis. Therefore, near the end of the month, after making sure everyone has input their time, I pull all the worksheets to start preparing invoices. The worksheets combine all time incurred by team members for each client. Worksheets provide

details including the date work was performed, length of time spent, brief description of what was done, the team members' name and hourly billing rates. You're now ready to review the worksheets, or distribute them to the appropriate account executive or account supervisor for review. Once the worksheets are perfect, print them as the information they contain will assist you in generating your invoices to your clients.

***Tip:** Consider attaching worksheets to invoices. When clients see exactly what your firm has done for them that month, they will have fewer questions about your invoices and process them more quickly. Some clients, notably government and nonprofit clients may require detailed back-up to invoices.*

Generate invoices. Once you review the worksheets, you're ready to generate invoices. At this point, you have several software options for generating invoices. Timeslips has invoice templates you can use. Our software of choice for generating invoices is QuickBooks Pro. It is very easy to customize one of their invoice templates with your logo, or set the invoice up to print on your letterhead.

SAMPLE INVOICE

(Print on your letterhead)

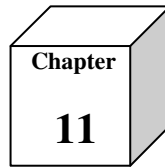
Contact:	Contact Name		
Company:	Company Name Company Address City, State, Zip Code		
Time Period: DAY/MONTH/YEAR THROUGH DAY/MONTH/YEAR		TODAY'S DATE	INVOICE #
CODE	DESCRIPTION	HOURS	AMOUNT
01-01.0	Project Description	xx	\$
01-02.0	Project Description		
01-03.0	Project Description/code	xx	\$
TOTAL FEES			
FOR PROFESSIONAL SERVICES RENDERED			\$
EXPENSES			
	Brief description of first expense		\$
	Brief description of second expense		\$
TOTAL EXPENSES			\$
SALES TAX (if applicable)			\$
Please send check payable to YOUR FIRM NAME within 30 days.		INVOICE TOTAL	\$

***Tip:** In your first meeting with a new client, find out the payment process. You may need a P.O. number. They may ask you to send invoices to your primary contact for approval or directly to the accounts payables department where invoices are logged and tracked. Be sure to send a W-9 with your first invoice as their accounting department will require this information for tax purposes.*

When you find a good vendor, you'll want to establish a solid, long-term relationship. One of the best ways to do this is to pay your vendors' invoices promptly. What does promptly mean? On each vendor invoice is a due date, promptly means paying by that due date. Don't stretch out payments to your vendors. Remember, you are a vendor to your clients and you don't want them to treat you that way! Pay your vendors on time and you'll maintain excellent working relationships.

SET UP YOUR ACCOUNTS PAYABLE PROCESS

- Accounting software. Use accounting software to easily manage accounts payables. Our software of choice is QuickBooks Pro.
- Vendor database. List your vendors' addresses, phone numbers and other pertinent information in your database. Use Excel or other database software.
- Payment cycle. Our accounts payable system is set up to make payments to vendors on the 15th and 30th day of each month. This ensures that we don't miss payments due mid-month.
- Process invoices when received. As you receive vendor invoices, enter the vendor's name, the amount owed and the due date into your accounting software. The accounting software will allow you to adjust the due dates to be either mid-month or month-end. The accounting software can automatically remind you which bills have to be paid and when. You should also enter these expenses into Timeslips (or equivalent) to log expenses incurred on behalf of your clients.
- Pay vendors. The check writing ability of accounting software quickly allows you to cut checks to pay vendor invoices when due.



Preparing Financial Statements— It's the Bottom Line that Counts

In this chapter, I would like to introduce you to the concept of financial statements. The two financial statements I want to discuss are the balance sheet and the income statement. These two statements make it very easy for you to account for your assets, liabilities, equity, revenues and expenses. After this chapter, if I do my job correctly, you will have learned some valuable tips on how to develop workable rules for setting up financial statements and how to decipher balance sheets and income statements quickly.

IT'S ALL A MATTER OF BALANCE

In the definition section of Chapter 9, you learned that a balance sheet was a snapshot in time of the condition of your firm's assets, liabilities and owners' equity. Also in that section we defined assets, liabilities and owners' equity. At this point, I would like to show you an example of a balance sheet, describe what the numbers mean to you and what to look for, how you can generate one and how often you should generate them.

What a balance sheet looks like

The following page is a sample balance sheet for a hypothetical firm, PR Works, an eight-person firm in business for four years. Basically, a balance sheet illustrates the basic accounting equation, which is:



$$\text{Assets} = \text{Liabilities} + \text{Owners' Equity}$$

Let's walk through the balance sheet and identify the typical items that would show up on a balance sheet. Please refer to the sample balance sheet for PR Works as we go through this section.

At the top of the balance sheet is a title. The title always includes the company name; the title of the financial statement (or balance sheet in this case) and the ending time period formatted in month, day and year. The part of the balance sheet that receives first attention is the assets. Under assets for PR Works, notice the items listed: cash; accounts receivable; property, plant, and equipment; and other assets. All of these combine to become total assets. PR Works' total asset balance for December 31, 2005 was \$228,000.

Now let's look at the other side of the equation – that is, the liabilities and owners' equity. Under liabilities, we have listed notes payable (for example, the balance on a line of credit), accounts payable, and other liabilities. Total liabilities for PR Works equaled \$87,000. The owners' equity for this period was \$141,000. The total for total liabilities and owners' equity came to \$228,000, which equals the total asset number. This should not come as it should have this outcome as reflected in the basic accounting equation above.

SAMPLE BALANCE SHEET

PR Works
Balance Sheet
December 31, 2011

Assets

• Cash	\$ 58,000
• Accounts receivable	110,000
• Computers, phones, other equipment	60,000
• Other assets	0
TOTAL ASSETS	\$228,000

Liabilities and Owners' Equity

• Notes payable	\$37,000
• Accounts payable	30,000
• Other Liabilities	20,000
TOTAL LIABILITIES	\$87,000
• Owner's equity	141,000
TOTAL LIABILITIES & OWNERS' EQUITY	\$228,000

What should the numbers mean to you and what should you look for?

First, let's look at our asset side. Your most reliable asset is your cash reserve. Your next most liquid asset is the accounts receivable, or cash owed to you by your clients. It is just a matter of time until you collect it. Other assets include computers, phones, furniture that are not liquid but necessary to running your business.

We try to maintain a minimum cash balance each month. The number should be sufficient to pay salaries and consultant fees and handle other operating expenses for at least one month while waiting for receivables to come in (which takes an average of 30 to 45 days). Your cash balance number will vary month to month, much like your personal checkbook. Notice PR Works' accounts receivable is nearly twice the amount of cash on hand. The firm's goal would be to convert the receivables to cash as quickly as possible and call accounts that are more than 60 days past due to collect the money owed. Refer back to Chapter 10 regarding the section on collections.

Now let's look at the liabilities and owners' equity side. The notes payable is a line of credit with their bank. PR Works activated it to get a "bridge" amount of money to carry them through because some of their clients were slow in paying invoices. PR Works should pay off this balance as quickly as possible, since they're incurring interest charges until they pay off the line. The main reason for the line of credit is to take care of accounts payable – money owed to vendors. PR Works recognizes the importance of promptly paying its consultants and other vendors to maintain loyalty (see Chapter 6.) The category "other liabilities" represents taxes accrued, salaries accrued, and other accrued liabilities. Overall, PR Works is in really good shape as far as total liabilities go.

How can you tell if your balance sheet is in good shape? You can make a quick calculation of something called a **current ratio**. The current ratio is current assets divided by current liabilities. The calculation of the current ratio tells us how much PR Works has in current assets that will allow them to cover their current liabilities. This is important to know if you happen to get in a

crunch and need to pay off your short term liabilities. For the PR Works example, current assets are the easily converted assets such as cash and accounts receivable. PR Works' current liabilities (notes payable, accounts payable, other liabilities) are equal to the total liabilities. By doing the math, that becomes \$168,000 divided by \$87,000, for a current ratio of approximately 2.

Anytime your current ratio is two times or better, you are in good shape because you know that you have twice (or more) the capability of meeting your short term debt (current liabilities). In our personal lives, I think all of us like knowing that we have enough money to cover all of our current month's expenses (debts) and having something left over to take the family out for dinner. That same principle applies here.

Now let's look at the last item: owners' equity. Owners' equity is how much money you have invested in the firm. Is this real cash you can take out? Not really. It is simply an accounting of how much you have invested in the firm. Each year when you, as an owner, account for profits, you normally reinvest profits into the company. When you do this, the profits go into owners' equity. So instead of putting actual cash into your pocket, you leave it in the company's cash "bucket." You then make an entry into owners' equity for an equal amount of cash you just reinvested in the company. Therefore, each year you are profitable and reinvest a portion of the profits back into the company, your owners' equity will continue to grow. Look at it as if it were your firm's savings account.

How is a balance sheet generated?

You can generate a balance sheet in several different ways. Your CPA can prepare one for you or you can utilize your accounting software which will allow you to make one yourself, any time you want.

How often should you generate a balance sheet?

The balance sheet is a good statement to generate at year end to see how you did compared with your forecasted yearly budget. You will also use this information to satisfy the financial reporting that your bank requires annually. Last and certainly not least, you use this statement to try to increase incrementally the amount of your credit line depending on how profitable the firm was for the year.

THE INCOME STATEMENT:

IT'S ABOUT CASH IN VERSUS CASH OUT

To review, an income statement is the report that measured the profitability of a firm for a stated period of time, from a cash-flow point of view. As with the balance sheet, I want to show you an example of what an income statement looks like, what the numbers mean to you, what to look for, how to generate an income statement and how often.

What an income statement looks like

Please see the last page of this chapter for a sample income statement spreadsheet that we use at Gladstone International. You can adapt it for your firm. Basically, an income statement reflects a relationship between revenues and expenses (cash in and cash out). Let's walk through the income statement worksheet and briefly discuss the typical items that comprise this statement.

As with the balance sheet, please note the title at the top of the income statement. The title always includes the company name; the title of the financial statement (or income statement in this case). Under the title and across the page are columns that signify the months of the year, a year to date (YTD) total, YTD percent, and monthly average. On the far left column is a list of revenues and expenses. At this point, I would like to mention several subtotal points: Total Cost of Sales, Gross Profit, Total Costs, and Pretax Business Income. Our firm calls revenues Cash Receipts. This would be all the money we received from our clients for any given month.

The remainder of the items listed is our monthly expenses, not chargeable to the client or overhead. So what are the mechanics of this worksheet? This reporting vehicle is all about what you do with the revenue and expense information your firm collects monthly. In our firm, when it is time to prepare this statement, I use accounting software (QuickBooks Pro in this case) to print out our current month's cash receipts and expenses. The key to this is setting up account codes for all cash receipts and expenses in QuickBooks. QuickBooks comes with a great number

of account codes pre-loaded. You can then add or delete account codes as required. Then when I write checks to make payments, I make sure I use the appropriate account codes and QuickBooks automatically collects these amounts per account code.

Using the income statement as a guide, I simply transfer the above information to our income statement template in the correct spaces. Some months I may not have any entries for certain line items. Obviously, for any given month you only add information to the items that show an actual expense. The math behind the worksheet is:



$$\text{Gross Profit} = \text{Cash Receipts} - \text{Total Cost of Sales}$$

or

$$\text{Gross Profit} = \text{Cash Receipts} - (\text{Goods purchased} + \text{Subcontract labor})$$

Gross profit less all your expenses (or total costs) equals pretax business income.

From pretax business income, we take out income taxes, and this yields net income. Net income, as you remember from Chapter 9, is simply the income (or profit) you have left over at the end of the month after deducting expenses from revenue.

Now, what should the numbers mean to you and what things should you look for?

Four areas deserve our attention: cash receipts, total cost of sales, total costs and pretax business income.

Cash receipts. This is the sum of all the revenues collected from your clients. Since we are subtracting all the other numbers from this one, you want to have sufficient revenues to pay for

all the expense items and achieve your desired monthly profit number. So if you expect you are going to have a high expense month, then for that month you will need to keep your accounts receivable collection's hat on longer.

***TIP:** Make it a policy, every month, to try to collect as much of the money owed to you as possible (see the section on Collections in Chapter 10). Reducing your accounts receivable helps you increase your cash flow and decrease your mental stress.*

Total costs. This is the sum of all the expenses listed on the income statement. When all the expenses are totaled up, that number equals total costs. As you can see, when we subtract total costs from gross profit, this yields pretax business income.

***TIP:** Since total costs reduce gross profit to a much smaller number, this is a great area for improving profits. As noted earlier in this workbook, I stated that for a given amount of revenue, if my expenses go up, I have less profit. Conversely, if my expenses go down, I have more profit. Therefore, if I can reduce my total costs for a given month's revenues, I can have more net income. Take the time to think of ways to reduce total costs.*

Small savings do add up. Take Javier's story. As he was going over his October monthly balance sheet, he noticed right away that the cost of office supplies had already exceeded what he had budgeted for the entire year. Javier pulled out invoices for standard supplies like copy paper, printer cartridges, and pens, as well as business cards and letterhead. He then researched discount office supply companies online to research costs for these supplies. To his surprise, he discovered a difference of approximately 15 percent between the supplier he had been using, and another company. Javier promptly switched suppliers.

Pretax business income. The financial world also calls this EBIT or earnings before interest and taxes. Interest is another topic in itself and is beyond the scope of this workbook. Factors that help determine what tax bracket you are in depend on how much monthly profit you make

and whether you are a sole proprietor or a corporation. For us, because we are incorporated and our pretax business income varies from month to month, our pretax business income is typically shown as net income or profit.

How is an income statement generated?

As with the balance sheet, we can generate an income statement a few different ways. This income statement is actually an Excel spreadsheet. Once the spreadsheet is set up and you enter the numbers for each “cell,” the software performs the necessary calculations for you. Therefore, you or your CPA can prepare the income statement.

***TIP:** We enter our income and expenses on the income statement at the end of every month and send them to our CPA for review. Not only does he write very motivating letters to congratulate us on a good month, but he also makes recommendations for improvement and points out areas to correct the next month.*

How often should you generate an income statement?

Monthly. You need this statement to see how you are doing versus your monthly budget/forecast, so you can make changes more often and not wait to the end of the year, when it may be too late. Two years ago, we wanted to upgrade our computer system. Each month, as we analyzed our income statement, we saw that if we stayed on the current course, at year end we would have sufficient cash to move forward on the system upgrade. Sure enough, the trend held, and our November analysis showed we had enough cash to make the upgrade. That’s what we did. Careful tracking gave us the confidence to make a major purchase that we really needed, and not worry about having the means to pay for it.

These two financial statements are designed to let you see where you are with respect to your revenues, expenses, assets, liabilities and owners’ equity at any moment in time. One part of the equation is having easy access to this information. The other part of the equation is knowing what to do with this information. To maintain your profitability, collect on your account

receivables, get those client checks into the bank as soon as possible, challenge all your expenses, get competitive bids on all vendors, watch the internal waste, stick to your budgets and charge your clients for the expenses you incurred for them. These are just a few tips to follow that will guarantee that your eyes are where they should be-- on the bottom line.

FINANCIAL PLANNING AND BUDGETING

Financial forecasts are the first step in constructing financial plans that allow you to look into the future. These plans take the form of a cash budget and a set of pro forma financial statements for a future period in the firm's operations.

Budget functions

A budget is simply a forecast of future events.

As a student, I had to budget my meager financial resources among competing uses, such as books, tuition, food, rent, clothes, and extracurricular activities. If I didn't do a good job of budgeting, I found that many times I had a choice of whether to eat or go out on a date.

Budgets perform three basic functions for a firm. First, they indicate the amount and timing of the firm's needs for future financing. Second, they provide the basis for taking corrective action when budgeted figures do not match actual or realized figures. Third, budgets provide the basis for performance evaluation. Budgets provide benchmarks that management (you) can use to evaluate the performance of those responsible for carrying out those plans and, in turn, control their actions. Thus, budgets are valuable aids in both planning and controlling aspects of the firm's financial management.

Why is there a need for financial management?

If there was a perfect match between a firm's cash receipts and cash disbursements, there would be no risk of insolvency. Then the firm would not need future financing or to stretch accounts payable. However, in the real world, synchronized cash flows do not usually exist. The cash flow in/out cycle does provide an indication of the financing needs to support operations. However, it is unable to determine the risk of the firm being out of cash or identifying cash needs other than for operations.

What is the solution?

The solution is to incorporate a budgetary system for your firm. This is a system of budgets that allows you to plan each source of cash flow, both inflow and outflow, that will affect your firm throughout your planning period. In general, a firm could utilize four types of budgets: physical budgets, cost budgets, profit budgets, and cash budgets. Our interest in financial planning focuses on the cash budget.

A cash budget is a detailed plan that organizes all expected cash receipts and disbursements and the borrowing requirements for a given period of time, such as a week, month, quarter, year, or longer. The groundwork for preparing a cash budget consists of forecasting all cash receipts and cash payments expected during the budget period. There are no strict rules for determining the length of the budget period. The duration budget period depends on the nature of the business and the size of the firm. Small firms may put together a cash budget for the next quarter, if they do at all.

***TIP:** As a rule, the budget period should be long enough to show the effect of management policies yet short enough so that you can prepare estimates with reasonable accuracy. I recommend you prepare a six month budget if you are just starting out and a one year budget if you have been in business one year or longer.*

The final stage in the budgeting process involves construction of a set of financial statements depicting the result of the end of the planning period's operations. The budgeted financial

statements to construct are the pro forma income statement and the pro forma balance sheet. The pro forma income statement represents a statement of planned profit or loss for a future period. The pro forma balance sheet represents a statement of the status of your firm's assets, liabilities and owner's equity.

Financial control

After preparing the budgeted financial statements, you can use them to monitor or control the firm's financial performance. One approach involves preparing budgeted statements for each month during the planning period. You can then compare actual operating results for each month's operations with the projected or budgeted figures. This type of analysis provides an early warning system to detect financial problems as they develop. In particular, the financial manager (you) can compare actual monthly (or even weekly) operating results with projected revenue and expense items (from budgeted income statements). Having accomplished that, you can maintain a very close watch on the firm's overall profitability. This will allow you to take an active role in determining the firm's overall performance for the planning period.

Financial planning and budgeting: Closing comments

We should emphasize one aspect of the budgeted financial statements. These figures represent single-point estimates of each item in the entire system of budgets and the resulting budgeted statements. These might be the best estimates of what the future will hold for your firm. However, drawing up at least two additional sets of estimates is desirable, corresponding to the very worst set of circumstances that the firm might face and the very best. These extremes provide the necessary information for formulating contingency financing plans should a deviation from the expected figures occur.

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Closing comments

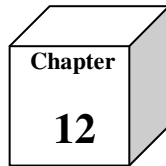
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However, drawing up at least two additional sets of estimates is desirable, corresponding to the very worst set of circumstances that the firm might face and the very best. These extremes provide the necessary information for formulating contingency financing plans should a deviation from the expected figures occur.

INCOME STATEMENT

Note: This table is condensed to fit; create a separate column for each month of the year.

	2012	2012	2012	2012	2012	2012	2012	2012	Mo.
	Jan	Feb	Mar	Apr	May	...	Dec	YTD	Average
Cash Receipts									
Less:									
Cost of Goods-Purchases									
Subcontract Labor									
Total Cost of Sales									
Gross Profit									
Salary/Payroll Taxes									
Employee Benefits									
Temporary Help									
Office Lease									
Insurance									
Advertising									
Office Expense									
Office Supplies									
Repairs & Maintenance									
Computer Expense									
Prof. Fees – Tax/Account.									
Prof. Fees - Legal									
Prof. Fees - Consulting									
Automobile									
Depreciation									
Telephone									
Bank Charges									
Interest Expenses									
Business Development									
Meals & Entertainment									
Professional Dues									
Professional Events									
Charitable Donations									
Charitable Events									
Subscriptions									
Sales Tax									
State & Local Taxes									
Other									
Total Costs									
Pre-Tax Business Income									



How to Market Your Firm

You know how to use public relations strategies and tactics to promote other people's products, services and causes. Now apply these ideas to your own firm. Allocate some dollars and especially some time to your marketing effort. As a start-up, you should spend at least 10 percent of your time on marketing. For public relations firms nationwide, marketing and new business expenses average between one and 6 percent of annual revenues. Your marketing expenses are likely to be higher during the start-up phase. The key is to make marketing a priority, so it doesn't become an afterthought or a case of the shoemaker's children going without shoes.

In many cases, we are offering intangible services. Clients want to make the right decision and to do that, they rely on the recommendations of people they respect. The more strategic the service you offer, the greater the likelihood that clients will find you through trusted sources. In my experience, 95 percent of our new clients have resulted from referrals by current and former clients as well as business friends and associates I have met over the years.

Unless you're starting your firm with a ready-made client base, you will need to be aggressive about winning business. This doesn't mean making "cold calls." That rarely works in our profession. The goal of your marketing program is to target potential new business prospects and cultivate referral sources.

I received a call one day from a consultant I had met several times. She called because her client was looking for a new public relations firm and she thought our capabilities would match their needs. She recommended us. Two days later, we met the client. One week later, after submitting a proposal, the client hired us. Not only did this company become one of our largest clients, we continued to work with them for nearly nine years.

Securing referrals will become much easier over time, as you build your reputation and client roster. In this chapter, we will review tools and techniques to help you launch your firm and achieve business over time. They are the marketing starter kit, selling with a personal touch, and marketing for the long term.

MARKETING STARTER KIT

It's wise to begin planning your marketing program several months before you plan to officially launch your firm. You will need time to develop your marketing materials. It's best to do so before you're in business. When you've started your firm, you will want to devote most of your time to serving new clients.

Basic elements of your marketing starter kit include:

- identity materials
- website
- announcement
- mailing list
- one-page overview
- capabilities overview
- letter
- news release
- social media

Identity materials. Your firm's name, logo, letterhead and business card all express your image. Take time, and allocate resources, to get it right. Start with your firm's name. Will you use your name, or devise a symbolic name or one that describes your niche? Try not to choose a name that is too narrow in scope. If you focus your firm's name on your primary specialty, you may find that it limits you in your ability to attract clients interested in different but related specialties

that you also provide. Once you narrow down your name choice, do a name search (your attorney can help) to be sure the name it isn't already taken. The advantage of using your own name is that no other firm can challenge the use of your name, even if there are ten other "Robert Allen & Associates" across the country. Your identity materials can describe what your firm does even if the name itself is general. For example, under the name "Gladstone International" on our letterhead, we list four bullets: media training, strategic public relations, issues and crisis management and litigation support.

When you've chosen your name, the next step is to find a graphic designer who will work with you to bring your identity materials to life. Get referrals to three or more designers. When you review their online portfolios and talk with them, you are not only assessing whether you want to work with them on your materials, you are determining whether you may want to hire them for client projects. Get bids that will cover designer's fees and expenses and printing stationery and business card masters to last you approximately one year. This will help you gauge not only design costs, but also whether a particular design, such as foil stamping and embossing, could push your printing budget into a very expensive category.

Tip: Always keep the image of your firm in mind. Think about who will hire you. For example, if you plan to pursue crisis management or litigation public relations, you'll want to project a more conservative and serious image than a firm specializing in arts and entertainment.

Website. When we wrote the first edition of this book in 1998, few public relations firms had websites. How times have changed! Most potential clients check out my website before calling me. I'll pick up the phone and hear, "I've visited your website and I'd like to talk with you."

When you start out, all you may need is a basic website with a few pages that describe your capabilities and experience. You can add new pages with your client list and online portfolio as you grow. Be sure your identity materials and website project a consistent image.

Announcement. Work with your designer to develop a card or other mailing piece that you will send to friends, business associates and potential clients to announce your new business. You've worked hard to plan for this day. Don't be shy – let the world know you're in business! Keep it simple and include your website address. The purpose of the announcement is to build awareness of your new firm, so that when you follow-up with your key prospects, they will be primed for your call.

The question often arises as to whether to mail or email announcements. I believe that a hard-copy announcement card has more clout than email because recipients tend to open and keep a mailed card. If you do decide to email your announcement, send it only to people who know you. Don't take the risk that recipients will view it as junk mail. Remember, your goal is to cultivate a professional image. Be selective with email.

When I launched my firm, I designed a simple, two-color card with a die-cut for my business card. I sent the announcement card to 750 people – practically everyone I had ever met! The card prompted dozens of congratulatory calls, including several from people who wanted to talk to me immediately about what my firm could do for them.

Mailing list. No matter how creative your marketing pieces, they're only as good as your mailing list. While you are working with your designer on your identity materials and announcement, whip your mailing list into shape. You will use your mailing list repeatedly, to send out firm news, tips, blogs, invitations, holiday greetings and other marketing information throughout the year. An ongoing marketing program will keep your firm's name top-of-mind among clients, potential clients and referral sources. Go through your business cards and enter the information (or use a program that allows you to scan them into the system). Supplement these names by reviewing business and professional association directories or purchasing mailing lists from list companies or local business publications.

One-page overview. Fancy brochures are expensive and quickly go out-of-date. Use overviews that you can quickly update and tailor to your audience. When you introduce your new firm to people in person, by letter or by phone, you will invariably hear, "Send me something about your firm." While you can direct people to your website, some people like to a document to share with decision-makers at their company. We like to use a one-page overview of our firm to supplement our more in-depth capabilities materials, and send it with a cover letter or email it to prospects. In Chapter 3, we explained how to create an overview of your firm. Put the overview on your letterhead, and you'll have an inexpensive, effective and easily updatable "brochure."

Capabilities overview. When clients are seriously considering your firm, make it easy for them to retain you. While our website is comprehensive, I always send detailed capabilities overviews to potential clients, especially if I'm including a budget estimate. That way, I can tailor the overview to their needs and the prospective client contact has something tangible to share with other members of the decision-making team.

Letters. Don't discount letters as too old-fashioned in today's cyber connected world. Letters continue to be an important way to get in front of people at the top of an organization. Like a media pitch letter, a marketing letter should begin with a compelling first sentence or paragraph to intrigue the recipient and make them more inclined to talk to you. Your letter should be brief (no more than one page) and either focus on a perceived need (when you know the organization is seeking public relations help) or a concise description of your services. Close your letter by letting the recipient know you will contact them in a week or so. Always send your one-page overview with personalized cover letters.

I recently sent 15 letters to restaurant company presidents to introduce our capabilities in restaurant crisis communications. I did this to create awareness, so that when companies might need help in this area, they'd think of us. I was very pleased when the president of one large restaurant company passed my letter to the marketing VP, who then called to set a meeting. I'm looking forward to preparing a crisis communications plan for them next year.

News release. An easy tactic for a public relations professional! Prepare a brief news release including a description of your new firm, your credentials and other pertinent information. Develop a media distribution list, including national public relations trade publications, trade publications appropriate to your specific niche, and local business publications and send them your release.

Social media. Social media is quickly evolving; who knows what business-oriented sites will pop up by the time you read this. At a minimum, establish or update your LinkedIn page. Join LinkedIn groups to make contacts and keep up with trends. Use Twitter to grow a following, and consider a Facebook page for your firm to keep business and personal posts separate. There are many great resources to research in terms of how to create social media that people will want to follow, including sharing useful tips via blogs and “how to” videos on YouTube.

SELLING WITH A PERSONAL TOUCH

The week you officially start your business, send out your announcement cards, news release and email personal contacts. These three tactics will help ensure that the potential new business prospects, referral sources and other colleagues know you're in business! Then, don't wait for the phone to ring. Plan your personal follow-up campaign.

Are you a bit overwhelmed by the thought of having to get out there and sell? It's natural to be uneasy about the process unless you've had prior sales experience or, like me, a role model (in my case, my father) who taught you how to sell. I believe that the best sales people are not the slick, pushy, super sales person types. Successful sales people share four traits: passion, knowledge, good listening skills and persistence. To start-up a public relations firm, you must communicate enthusiasm about your business, listen to their needs, and convince others that you have the experience and expertise to help them. To keep your firm going over the long-term, you must be determined and persistent. Develop a new business campaign with objectives, tactics

and deadlines, just as you would prepare a public relations campaign for your clients.

Plan a targeted new business campaign

The foundation of a successful new business campaign is your mailing list, the same one you developed to send out your announcement card. Sort your mailing list by "hot," "warm," and "cool" prospects or "A," "B," and "C." The hot or A prospects are those who you know very well or appear to need public relations services. A good example is the public relations manager of a corporation who confides in you that the new president wants to get out on the speaking and media relations circuit. If you do speaker or media training, this is a very hot prospect!

The key to any successful direct mail campaign is follow-up. Call the "A" prospects the week after you've mailed your announcement cards. Try to schedule a breakfast, lunch or appointment in their office to find out their public relations needs and learn how you can help. If they don't have time for a meeting in the future, send your overview with a tailored cover note. Place a follow-up call shortly after this mailing. If you haven't set a meeting, add the contact to your "tickler" file or task list and contact them in a few months. Graceful persistence is essential. By graceful, I mean treat your prospects as you would like a potential vendor or consultant to treat you. Be judicious and space out your follow-up efforts. If a prospect is clearly uninterested, move them to your "C" list. Once you've contacted the "A" prospects, start on the "B" list. Monitor the "C" list -- often, cool prospects can quickly become hot prospects when circumstances change.

Keep up your "A" list through networking (see following section) and reading local business news, trade and niche publications to learn what companies are expanding or relocating in your area. Save articles about companies that announce the hiring or promotion of new presidents, vice presidents of marketing or public relations managers and other news. These all represent new business "leads" for your follow-up program.

***Tip:** To keep on top of new business, keep copies of your new business letters in a loose leaf binder, filed according to month (mine's bright red so I can't miss it.) Mark the phone number of the contact on the top of each letter and the date of your follow-up call. If you haven't arranged a meeting with a prospect in June, when you wrote the letter, move the letter to the July tab and so on. To ensure you won't forget, enter the information into your Outlook calendar or task list. Keep following-up until you meet with the prospect, win the client, or learned there was no potential – for now.*

One year, before we specialized on crisis communications, I decided to track how long it took to win a new client. I found that it took, on the average, three to six months from the day we learned about a potential new business opportunity to the day we converted the opportunity into a new client. That three to six month process typically included making the initial call or sending the first letter, arranging the first meeting, developing a proposal, discussing the proposal with the prospect, meeting with decision makers and other staff and fine-tuning the proposal and budget.

Now that we focus on crisis counseling, there is usually no sales cycle. People find us through trusted advisors and colleagues and call us when they need help – often the same day. I’ve concluded that it’s next to impossible to sell crisis counseling services because people don’t know when they’ll have a crisis. Yet it IS possible to market crisis planning and media training, and to keep our firm top of mind among referral sources.

While the time it will take you to sign a new client will vary, be prepared for the process to take several months. Your best defense is to keep the momentum going with several prospects at once. You may think you have a sure thing, only to find out it evaporated into thin air. Don’t postpone your new business outreach efforts because you’re relying on one prospect. Retain a healthy sense of skepticism about potential new business until the client has signed your letter of agreement.

Networking for Fun and Profit

Another way to personalize the sales process is by becoming an active part of your community through networking. I've heard people say, "I don't like to network" or "I don't have time to go to all those ‘meet and greets’." You've got to make time. The truth is simple: people hire people they like. Your marketing materials can help open doors; however, clients will hire you, and people will refer you, because of good chemistry. Networking is an essential part of every professional service business' sales process. It's also fun and rewarding to meet new people. Besides the business benefits, you're bound to meet people who will become good friends.

Here is my 5x rule about cultivating new business relationships through professional and trade associations. The first time you meet someone and talk for a few minutes, establish whether this person could be a good contact for you. If so, look for them at subsequent events. The second, third and fourth times you go to an event and see this person, say hello and strike up a conversation. By this time, the other person will have seen you at enough of the same events to realize that you have something in common. On the fifth meeting, invite your new contact to breakfast or lunch.

Six Networking Ideas

Go with a friend. The first time you plan to attend an organization's event, ask a current member to introduce you. Most people are delighted to serve as your "host" and will introduce you to as many people in the room as possible. Brief them about your firm, and they will be your best public relations ally!

Be selective. How many organizations exist in your area? Dozens? Hundreds? Narrow them down to the organizations that can best help you fulfill your mission of meeting potential clients and referral sources. Talk to friends and business associates about the organizations they value. Do a trial run. Go to one breakfast, lunch or dinner meeting or mixer before you commit to joining the organization. You'll quickly discover whether that organization is right for you.

Become a member. Once you've identified key organizations, join them. By becoming a dues-paying member, you will achieve a higher level of credibility and greater opportunities for involvement. Don't expect to see results right away. It can take years to build relationships; however, these relationships can lead to many opportunities over time.

Serve on committees. Nearly every organization will want you, a public relations professional, on a committee, to help them achieve visibility for their good works. Jump in and help one or

two organizations that align with your goals. You will achieve a higher profile in the organization for your volunteer efforts. Your name will appear on correspondence to members. You will get to know other committee members and the leadership of the organization. In time, you may be asked to join the leadership and serve on its board of directors. You will find that many of your clients promote community service and will appreciate that you share their sentiments. A word of caution: choose your committees carefully. Don't put so much non-billable time into serving on committees or boards to where your business suffers.

Tip: Every year, select one organization that you will devote time, energy and possibly dollars to support. That way, when other organizations call you to solicit your participation or committee involvement, you can tell them that you've already committed to this organization for the year. Leave the door open to maintain goodwill. Ask them to forward information to you and let them know you will consider their organization next year.

Support organizations your clients support. Find out what nonprofit groups your clients and potential clients support. Some are bound to be a good match with your own interests. Ask your clients if they have suggestions as to how to become involved with the organization.

Earlier in this book, I mentioned that I became active in the Urban Land Institute (ULI) when a real estate client highly recommended that I join the organization. I moved up the ranks from marketing committee chair to chair of the 1,200-member Orange County council and made many important contacts along the way.

Watch industry trends and be ready to switch gears. When the real estate industry began its downturn, I turned my attention to other markets. It was difficult to part from ULI after years of involvement, however it was important to find an organization that offered greater business growth potential. Since we've done a lot of work in the restaurant industry, I have joined the California Restaurant Association and look forward to increased involvement over time.

NETWORKING FOR FUN AND PROFIT

Break the ice. Don't wait for someone to approach you. Walk up to someone standing alone and introduce yourself. You don't need a fancy opening line. Simply state your name and shake hands. Go up to a group of people and listen to their conversations for a few moments. Then, when there is a pause in the conversation, introduce yourself. You will be drawn into the group.

Don't give a hard sales pitch. When you meet someone for the first time, don't immediately launch into a sales pitch about your firm. No one likes a hard sales approach. Wait until the person asks you what you do. Then, deliver a concise, one- or two sentence overview of your firm (see Chapter 3.) People will invariably ask you follow-up questions, enabling you to elaborate on what you do. You will get your message out, while building rapport with the other person.

Listen. The quickest way to establish yourself as an interesting, thoughtful person is to show that you're a good listener. Don't go into a meeting with your agenda. Be flexible, and take the time to listen carefully to what the other person is saying.

Ask questions. If you show someone you're interested in them, they are more likely to be interested in you. You can find a common bond by asking questions. They don't have to be work-related; you can ask the person how long they've been a member of that particular organization, what other groups they belong to, what hobbies they enjoy, if they're planning to take a vacation soon. If you are truly interested in getting to know this person, they will feel it and open up to you.

Circulate. As fascinating as the conversation may be, don't talk to the same person all night. You're at the event to make more than one contact. You can gracefully make your exit by saying, "I've very much enjoyed meeting you. May I have one of your business cards?" Once you have

the card in hand, shake the person's hand and say your goodbyes. Another approach is to say, "I've enjoyed meeting you. Since I'm new to this group, I planned to meet a few other people who are here tonight. I hope we will see each other again soon."

Become the unofficial host of your table. If you sit at an unreserved table, chances are you will join seven other people who don't know each another. When you sit down, introduce yourself to everyone at the table. After the meal is served, introduce a timely topic to start a discussion, or ask a question related to a news event, or something as simple as a movie or restaurant recommendation. Most people will secretly thank you for turning an awkward "meal with strangers" into a memorable and enjoyable event, and you'll establish a new set of contacts in the process.

Ask for business cards. At the conclusion of every one-on-one conversation, exchange business cards. When you get back to your office, add the information to your mailing and email lists. Send them news releases, bylined articles or newsletters to keep your name top-of-mind.

Contact qualified prospects. If you sense an interest in your business or a potential need for your services, send them your one-page overview with a personal note. Even if the person has not expressed an immediate need, they are likely to keep your information on hand and call you when a need arises or refer you.

MARKETING FOR THE LONG-TERM

As we mentioned at the beginning of this chapter, much of a public relations firm's business comes from referrals. However, even people you know you very well may forget to recommend you if you've kept a low profile. You need to remind them of the kinds of capabilities and services you offer, new specialty areas and success stories.

Since people tend to read and value useful tips, I like to send out a monthly email with one tip about crisis communications, managing media interviews or delivering memorable presentations. At the bottom of the email, I'll mention an article that I recently published or a new speaking engagement.

Consider incorporating the following techniques into your year-round marketing program:

Media relations. When someone says, "I read about your firm recently," it's music to my ears. We are always seeking opportunities to achieve coverage of our activities. As a public relations firm, people expect us to know how to attract the media's attention. Use your public relations talents to write bylined articles or columns, letters to the editor, and to position yourself as an expert source to marketing reporters and reporters who need experts on your specialty (technology, tourism, health care, etc.). Print major bylined articles to include with your capabilities materials, and send PDF versions to your contacts via email.

Advertisements. There are a few instances where advertising can pay off for a public relations firm. Seek out opportunities to be listed in public relations and professional services directories. You will appear to be a larger, well-established firm if you spring for an extra \$150 or so to have your firm's name listed in bold type with a description of your services. Awareness ads are expensive and more beneficial for larger firms that commit to ongoing advertising programs.

RFP Lists. Find out which government or business entities send out requests for proposals. Get on these lists. You may receive an RFP for your type of services, or learn about RFPs where you may become a valuable member of a larger team.

If you are a minority or woman-owned business, consider raising your profile with public corporations or government agencies by obtaining a MBE (minority-owned business enterprise) or WBE (women-owned business enterprise) certification for your firm. Some certifying entities offer short forms for small businesses, so the process isn't as onerous as you might imagine.

Speeches. A very effective way to position yourself as an expert in your field is to secure speaking engagements. Contact the program chairs of key organizations in your area, and suggest different topics you may address, either as a panel member or keynote speaker. Another way to gain visibility is to hold your own presentations. For example, select a prominent leader and feature them as the keynote speaker at a luncheon or more intimate roundtable hosted by you. Another idea is to launch your own public relations workshop series.

During our second year of business, we gave a free workshop series to gain exposure for the firm. We presented seven different public relations topics, such as how to work with the media, effective speech writing and presentation tips, publicity for nonprofits and other topics. We developed workbooks for each topic. We designed a brochure including a registration card. We then invited selected people from our mailing list and to a free breakfast meeting. The first workshop attracted approximately 20 people; by the last, we were up to 50. When the workshop series concluded, we sent out an evaluation form. The series helped us to establish tremendous goodwill, especially with members of the nonprofit and governmental community who do not have funds to attend many professional seminars. The workshop series generated many positive comments and referrals, even several years later. We can trace several clients to the workshop series.

Today, giving speeches is my primary marketing tactic. It is very beneficial to promoting our media and speaker training capabilities as well as crisis experience. When people see you at the front of the room, it signals you are there because you are an expert in your field. Target associations and organizations that relate to your niche. Since prime referral sources for crisis counseling are attorneys and risk managers, I make it a priority to identify legal and risk management associations, research conferences and workshops, develop proposals and line up speaking engagements before important and influential audiences.

Referral sources. One of the most effective ways to grow your business is to maintain contact with people who know and like you and are in a position to refer business to you. Earlier, we discussed creating new business lists and categorizing them into “A,” “B” and “C” lists. Think of referral sources as your “Gold List” because you will treat them like gold by periodically taking them to breakfast or lunch, letting them know of your latest client wins, serving as a resource to their favorite charity, even meeting with their daughter who will graduate with a degree in public relations this year. These are influential former clients, bosses, professional association presidents, board members and others who are in a position to refer you to executives seeking public relations help.

I provided marketing assistance to a national law firm’s offices in Los Angeles and Orange County. I worked directly with Bob, a 40-year veteran of the firm, to develop a marketing workshop series for their partners. In one of the workshops, Bob described how he attracted clients to the firm over the years. Bob kept an index card with 10 names of key referral sources in his desk drawer. Once a month, he pulled the index card out of the desk and called each person to say hello and catch up. Every month, at least one of the referral sources would say, “by the way, Bob, I met with so and so recently and I think they could use your help. Here’s the general counsel’s name and number.” Even though the referral sources were Bob’s good friends, Bob knew that they probably would not have thought to call Bob about the lead. That’s why he touched base with them, every month, for all the years he served with the firm.

Once you start your firm, you will learn about many different marketing techniques from your peers and even from your clients to help you grow. Start an idea file. Read public relations publications, bloggers and follow LinkedIn groups to find out what's new and different. Keep in mind that every time you research a new marketing strategy, you achieve two benefits. One, you energize your own outreach program and two, you have greater marketing knowledge to offer to your clients.

MARKETING TO EXISTING CLIENTS

When you win a client, your marketing efforts are just beginning. Keep in mind that the longer you keep a client, the greater the potential to increase the scope of your work and billings for that client. I've met agency owners who put far more effort into chasing new clients than they do in cultivating current clients. Think about the time and effort required to land a new client – non-billable time to do research, prepare proposals, have multiple meetings – that may consume you and members of your team for weeks or months. Then think about the relatively minimal time it will take to market to your existing client base. The key is to include your clients in your marketing efforts.

For example, a client may retain you because of your expertise in writing news releases articles for biotech publications. The longer you work with the client, the more they will value you for this skill. One day, your contact happens to mention that they hired a speech writer to help the company president with a keynote address for a major biotech conference. Your reaction is, why didn't they think of me? This happens all too often. We need to find ways to tell our clients about the breadth of our capabilities to grow the account.

One way is to schedule quarterly or bi-annual breakfasts or lunches with your key client contacts. Mention a new project or two that your firm is working on, or a new team member who has excellent skills in a particular area. Another way is to send your client contacts periodic updates

about your firm such as recent awards you've won or articles you've written. In these updates, mention new capabilities, niches and people. Keep your updates short, and they will read them and hopefully, ask you to tell them more.

One of the best ways to market to existing clients is by finding opportunities to listen to their needs. We established a regular evaluation process to find out how our firm is performing and create opportunities to learn about the potential for future work. Why is this so important?

A big mistake that professional firms make is to assume that everything is going well. Yet when clients are unhappy, they may hire another firm instead of having to risk a confrontation and tell you about the problem. There are 10 reasons why clients choose to end their relationships with professional service firms. The firm:

- Failed to meet deadlines
- Did not meet budgets
- Lacked follow-through
- Did not keep the client informed of project status
- Poor or inconsistent quality
- Did not meet expectations
- Over-promised and under-delivered
- Lack of enthusiasm
- Order-takers vs. idea-generators
- Lack of good chemistry or trust.

Be proactive and set regular times to evaluate your relationship. Clients will welcome the opportunity, and you may uncover a problem is relatively easy to fix. One year, I met with a client for our annual evaluation. She expressed some dissatisfaction with one of our team members. I asked her if she would like me to assign someone else to her account. Surprised, she responded, "Can you do that?" She was relieved that I was willing to make a change and she was thrilled with her new team leader.

We try to meet with our primary client contact at least once a year to do the evaluation process in person. If we work with multiple contacts, we will email the form at the end of this chapter and compile the results before meeting with the primary contact

You will benefit tremendously by having the courage to sit down with your clients on a regular basis to discuss how things are going. Keep your long-term goal in mind: the longer you retain a client, the greater the opportunity to achieve new and larger projects, build rewarding relationships, win referrals, increase profits and grow your business. And that's what starting and growing your own public relations firm is all about.



CLIENT SATISFACTION SURVEY

Gladstone International Client Satisfaction Survey		
Client		
Date of assessment		
Name of person being interviewed		
Please rate the following service areas as they relate to your dealings with Gladstone International		Notes
Description	Rating	Ratings: 5=Outstanding, 4=Very Good, 3=Good, 2=Fair, 1=Poor, N/A=not applicable to your line of business
Professional Services		
Counseling and advice		
Strategic Thinking		
Creativity		
Media Relations		
Issues and Crisis Management		
Media Training		
Event planning/onsite support		
News release, article writing		
Client Service		
Is responsive to your calls and concerns		
Anticipates needs and makes sound recommendations		
Good judgment on which communications path to take		
Works well with staff/other consultants		
Meets deadlines		

Keeps you informed of project status		
Overall quality of work		
Questions -- Please answer the following questions as they relate to your area of business and/or dealings with Gladstone International		Answers
About your working relationship with Gladstone International		
What areas of our service/performance are you most pleased with?		
What can we do to provide you with the best service possible?		
Do you believe you can approach your account team with criticisms and concerns?		
What specific areas of our service/performance would you like to see improved?		
Would you recommend Gladstone International to others?		
How would you describe your overall experience with Gladstone International?		
About your future priorities		
What are your top three public relations priorities over the next six months to one year?		
What are your media relations priorities?		
What other priorities do you believe we should focus on for you in general?		
Other comments.		

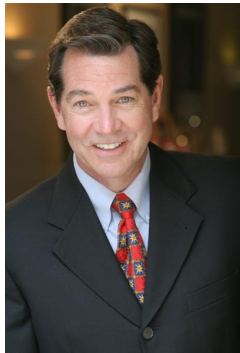
About the Authors



Joan Gladstone, APR, Fellow PRSA founded Gladstone International out of her spare bedroom in 1989 after 14 years working for corporations, nonprofits, and public relations firms in Boston and California. She has focused her 30+ years of public relations experience to build Gladstone International's reputation as one of the most respected crisis communications firms in Southern California.

Joan was recognized for lifetime achievement and service to the profession when she was inducted into the PRSA College of Fellows in 2007.

Admittance to the College of Fellows has been awarded to fewer than 500 public relations professionals around the world in the past 20 years. Joan has earned many awards for client service, including PRSA's highest honor, a Silver Anvil Award. Her service to PRSA began in 1986, when she served as president of the Orange County chapter, followed by membership on the board of directors of Counselors Academy. Joan's interest in public relations was sparked at Boston University, where she graduated summa cum laude with a Bachelor of Science degree in public relations. Visit gladstonepr.com for more information about Joan and her firm.



Ed. Gillow, MBA, has found that the financial and personnel management techniques he has learned over 25 years with high tech and engineering firms is surprisingly well-suited to operating a public relations firm. Some notable examples of the parallels are managing people, team building and motivation, financial management, project management and quality control. Since becoming chief operating officer of Gladstone International in 1997, Ed. has brought highly structured processes to successfully managing the many intangible aspects of public relations.

Ed. holds Bachelor of Science and Master of Science degrees in electrical engineering and an MBA with a concentration in finance. He teaches business presentation skills at Chapman University in Orange, CA. In 2001, Ed. broadened his professional repertoire by becoming an actor. He has appeared in many films, TV shows and plays. Visit edgillow.com for information about his acting career.