BUSINESS

ENTREPRENEUR'S CORNER

Entrepreneurial employees prosper

By Pierre A. Clark
Special to Sentinel-Voice

Starting a business is a dream most working people have. Perhaps you're ready to start a business but don't have the start-up capital or other resources to do so on your own.

Here's a suggestion for you: talk to the owner of the firm you work for now to help you get started?

Many employees have started their own businesses using a contract from their employers, a loan or even an equity investment as a source of start-up funds. Why would your employer finance you in your own business? There are several reasons:

(1) If your employers view your talents and services as valuable, they may decide to invest in your venture so that your skills will continue to be available to the company.

(2) Your employers may recognize a profit opportunity in your new venture and see investing in it as a sound business decision.

(3) They may view your new enterprise as a possible competitor and decide to invest to hedge their bets.

Reason #1 is the most likely scenario. The wise employer will want to continue to work with you in your new enterprise.

For example, several years ago a secretary and administrative assistant who left her company to start a computer services firm convinced her bosses to give her firm a services contract, including a large equipment order.

Another entrepreneur who provided desktop publishing services for an investment services company was able to secure a contract with the firm when he started a new office services company.

People with hard-to-find professional skills (technology skills, writing skills, business development skills) are the kinds of staffers most attractive to employers. Whether you can actually secure this kind of financing from your employer will depend on: How entrepreneurial the company is; the kind of relationship you have with your firm's managers and owners; the quality of your business plan and concepts; and if you're willing to let ownership profit from your venture.

Many high-tech companies have actually encouraged their employees to start new businesses. These highly-entrepreneurial companies are usually run by founders who believe that employees should have the opportunity to run their own companies (and realize these talented employees will sooner or later pursue entrepreneurship in any case).

Many companies are encouraging "intrapreneurship," through which employees are encouraged to think like entrepreneurs within the company. Employers solicit proposals for, and in some cases finance, new products and services created by employees.

3M, the Minnesota Mining and Manufacturing Company, is an entity whose entrepreneurial orientation results in dozens of new employee-created products each year. Among recent $100 million products developed by employees: post-It Notes and floppy discs.

Hewlett Packard's multi-billion dollar printer division grew out of a Hewlett-Packard engineer's belief that Canon's new laser printer engine was the basis for a better printer than HP's current model. Without the knowledge of executives, he rounded up a crew of employees, and created a printer division which now accounts for one-third of HP's $31 billion in sales.

Here are some strategies: target your presentation to the owner or owners of the firm, not your immediate boss (unless he or she is one of the owners). You'll likely receive a more positive reception from someone with the same entrepreneurial spirit as yours.

Next, present your ideas in a professional manner, with a comprehensive business plan including financial projections and development costs. Include in your presentation documents a non-disclosure document which should be signed by everyone who hears your presentation.

Finally, if your employers express interest in participating in your venture, have a lawyer draft legal documents, including contracts and an exit strategy, that protects your idea and its ownership.

Most employers will agree that good employees and high-profit concepts are hard to find. If your employer is one of them, you may have an agreeable business partner for your new venture. It doesn't hurt to ask.

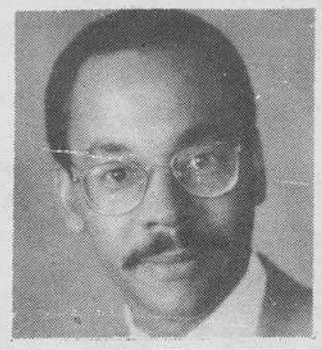
Pierre A. Clark is a nationally known self-employment expert and entrepreneurship columnist.

Carefully examine utilities' investments

Special to Sentinel-Voice

Financial Report

By Fred T. Snyder



For years, utilities have long been considered a "core" investment for a conservative portfolio.

However, deregulation is changing the landscape of the electric industry, bringing about increased competition for prices and geographic boundaries at the business and consumer levels. With these changes and increased competition, you may need to carefully evaluate your investments in this industry.

Historically, the electric utility industry has consisted of vertically integrated local monopolies. However, the power generation segment of the business is opening up to competition, increasing risk but also expanding opportunities for the power generation market.

As a result of these changes, you may need to be more selective when choosing utility stocks.

First and foremost, you need to determine what your goals are for investing in utilities. Deregulation could bring some short-term changes to what was once considered conservatively based reasons to invest in utilities — steady dividend growth and increased earnings potential. However, the days of security may be no more for the electric utility industry. Potential changes in the landscape of the electric utility industry include:

• **Decreased earnings growth.** There are several factors that influence a utility company's earnings growth, including the cost of doing business, regulators, it's senior management team and the company's balance sheet strength. Because deregulation will bring competition to a monopoly business, some companies may experience earnings declines.

• **Dividend changes.** For years, utilities were appealing to investors because their dividends typically increased every year. However, slowed earning growth and the potential for declining profit margins resulting from competition is prompting some companies to either forego increasing their dividends or, in some extreme cases, reduce current dividend payouts.

• **"Stranded costs."** As the power generation segment of the utility business opens itself up to competition, consumer prices for power generation will be set by market forces, not regulators, as it has been in the past. These new prices for electricity might be too low for some electric utilities to completely recover their fixed and variable costs of producing the power, not to mention earn a profit. These above-market generating and purchased power costs are called "stranded costs."

To the degree that such "stranded costs" are not allowed recovery through customer rates, some electric utility companies may face downward pressure on earnings.

The changes in the power industry should cause you to take a serious look at the appropriateness of investing in utility stocks. The age-old reasons for investing in power industry stocks — stability, increased earnings and dividend growth potential — are no longer industry-wide traits.

However, there are select utilities with strong competitive positions, good earnings and growth potential that can be considered attractive investment opportunities. Conservative portfolios should choose carefully when buying utility stocks and/or consider other conservative investments.

While currently it is time to be selective in the utility industry, your investment professional can help you determine whether or not you need to pull the plug on your current utility investments.

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