

Grow Your Business
Grow Your Wealth
Grow Your Self



Developing Leaders
Developing Companies
Developing Opportunities

UNITING BUSINESS OWNERS FOR PERSONAL & PROFESSIONAL GROWTH
PEER GROUPS • EDUCATIONAL WORKSHOPS • COACHING

Business & Economic Outlook 2010 Notes

There were 1100 people who attended the event on March 2, 2010 at the Minneapolis Convention Center.

Keynote Speaker:

Narayana Kocherlakota, President of the Federal Reserve Bank of Minneapolis

Event Panelists:

- Dean Bachelor, CEO – Platinum Group
- Scott J. Dongoske, President – Winthrop & Weinstine, P.A.
- Al Gerhardt, COO – Kraus-Anderson Construction Company
- Elliot Jaffee, Twin Cities Market President – US Bank
- Michael Lacey, President/CEO – Dagineer
- Beth Kieffer Leonard, Managing Partner – Lurie Besikof Lapidus & Company
- Cary Musech, Managing Partner – Tonka Bay Equity Partners
- Jean Taylor, President/CEO – Taylor Corporation
- Scott W. Wine, CEO – Polaris Industries Inc.

Event Moderator:

John P. Palen, Founder & CEO – Allied Executives

Introduction Remarks

Scott Wine:

2010 will return to growth
Sales down 20%, earnings down 14%
Have developed 34 new products for market
Predicting 2.5 -3% GDP
Investigating new business outside US and into innovation

Jean Taylor:

Has transformed into a technology, customer focused company
Use to be traditional printing and manufacturing
2009 was the year of “cash is king”



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2010 is all about sales

Cary Musech:

2009 was focused on survival
2009 was preparing for recovery
2010 is focused on growth through acquisitions

Beth Kieffer Leonard:

Successful companies have been focused more on innovation
Less on cost cutting strategies
Working on the business instead of in the business
Find your differentiation

Michael Lacey:

4th quarter 2009 has picked up significantly
Technology is transforming companies
Technology can enhance cost cutting and productivity efficiencies
Sales, marketing, production and data management applications also advancing

Elliot Jaffee:

2010 will bring continued revenue growth for banks
Earnings will not be as robust due to higher credit costs
2010 will be more stable but not much of a recovery

Al Gerhardt:

Market outlook for real estate and construction has characteristics that resemble a depression
21% non residential construction decline
25% construction unemployment rate
No commercial construction recovery until mid 2011

Scott J. Dongoske:

Legal focus has shifted from growth and expansion
Focus now is on crisis management and risk protection
2010 will look like 2009 except that we hit bottom
Challenges in capital market and unemployment will make recovery difficult

Dean Bachelor:

Greater need for crisis, financial and turn around management
There are good acquisition opportunities



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Orders are coming back; back logs are beginning to build

Panel discussion:

Question: What new strategies and changes have been made in business planning and implementation to stay innovative in these economic times?

Cost cutting alone is not a strategy
Cost cutting can be part of a strategy
Value engineer costs out of products to bring more value to customers
Focus more on return than on expenses
Re-bundle assets, products and services to add higher value to customer solutions
Sales and marketing functions must be strengthened
Execute on your sustainable competitive advantage
Know what your competitive advantage is
Know how you can identify ROI on sales and marketing
Search for new talent and invest in training
Innovate ways to cut costs for customers
Increase interaction and communication with customers
Never waste a good crisis
In good times people resist change
In crisis there must be change
The Chinese symbol for crisis is danger and opportunity
Create opportunity from crisis with transformation
Eliminate and consolidate redundancy
Find improved value proposition
Use technology to become more efficient
Improve processes and procedures
Improve competitive advantages
Expose competitor weaknesses
Interface with clients to build stronger relationships
Communicate in more detail with employees
Use assessments to improve leadership, communication and team building
People deal better with adversity than uncertainty
Use employee individual and team dash boards
Build team effectiveness
Identify your own strengths and weaknesses
Build alliances to play to strengths and off set weaknesses

Question: What's happening with banking? Where do business owners turn for capital funding?

There is less credit available
Terms and conditions flexibility no longer exist
Banking industry is rebalancing
Healthy banks have more flexibility



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Risky loan generation may be gone forever
Non-bank lenders have gone away
Credit is available to credit worthy borrowers
There is much uncertainty around regulatory environment
The regulatory environment is less a factor to healthy banks
Congress needs to pass regulatory reform
This will provide more certainty and be good for all business
Measures to expand programs such as SBA are in political grid lock
Self perception needs to change
You are not as credit worthy as you think you are
Communicate early and more frequently with your bank – monthly
Know your balance sheet
What is your asset value and collateral
Banks are looking at leadership
Show your plan and track record to earn confidence with lenders
Banks are looking deeper into details
Former ratios, measures and expectations have changed

Question: In what ways are companies using technology and how has technology changed?

Better 2 way dialogue and data sharing with customers
With banking tight and unemployment high, we need to be more productive
Create micro marketing
Use data to understand what drives sales
Invest in marketing into micro levels
Social media is reaching more people faster
Understand how technology can improve communication with customers
Technology can enhance marketing, sales, services, operations, etc...
Use technology to align with others for ease of use ordering and service
Younger generation will change how we communicate how we use technology and communicate
Hand held devices and “real time” is the future
New technology can improve bidding, production, process, efficiency and stream line activities
Collect data that will help make better decisions
Create dash boards and score cards that you can actually do something about
Tie data to action and results to your business strategies
Get data, a rhythm to use that data and establish priorities for execution
Create exception reporting-red light/green light
Fine tune dash board parameters so you can focus on what’s important

How has government impacted business today?

There is much uncertainty
Government is making poor choices
Companies are apprehensive delaying decisions and investments
There hasn’t been a tax law change in 10 years
This will be the most significant banking reform since the great depression



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Get involved with the government - stay current, read bills
Be heard – send e-mails, letters, phone calls – it makes a difference
18 months ago the US had a quarter billion dollars in debt on the books
Today the US has 1.4 billion dollars in debt
Congress just passed legislation to allow it to get to 1.9 trillion dollars
How do we catch up to that

How is the economy affecting global business?

Technology is still being outsourced overseas
There is more emphasis on keeping business in the US
China costs are rising
Today is more economical to manufacture in US than overseas
The value of the dollar has dropped and US workers are the most productive in the world
US manufacturing will stay strong, alive and well
Customers want value and control which will help keep business in US

What is happening with real estate and construction?

Office vacancy is at 20%, Industrial 16% and Retail 11%
Has not been this low for 20 years
Shadow space will add 10-15% to vacancy upon lease renewals
Commercial construction won't recover until mid 2011
Real estate values are very uncertain
Buildings are worth less than most think, want and need
It's a good time still to renegotiate leases for lower rates
Demonstrate you have a plan to recover and are not just a hard case

What criteria changes have been made to determine the value of a business?

Reset expectations, your business is not worth what you think it is
Capitalization multiples are lower
Risk is lower
Acquisitions are more commonly strategic today or a desire to exit
More focus on earn outs
There is a scarcity premium on desirable and/or well performing business
Value factor will be based on how well your business performed in recession
From 2002-2006 there was an average 61 billion dollars in the private equity markets each year
In 2007, 360 billion dollars were raised in private equity markets
There are a lot of equity funds waiting to be released
To build value be sure you can right size your business
Keep your business expandable and contractible
Keep your balance sheet healthy