

## Wrapping Up the Year

12/25/06

It's year end. Business is winding down. It's a time when I can sit and think about the business, as the phones quiet down. Any suggestions about what I need to do to wrap the year up?

Good question, and there are a few things to consider in the closing days of the year. First, remember that any actions you take may impact your tax payments. Second consider your business cycles – ups and downs. Third, plan for next year, financially. Fourth, get marketing out front for next year. Fifth, don't forget to say, "thank you" to the people who helped you get this far.

### **First, remember that any actions you take may impact your tax payments.**

This is the time of year, typically, that we're getting in our last meeting with our accountants. By the time you read this, there probably isn't time to schedule a meeting, if you haven't already done so. However, you can file this away for next year, and at least take a quick look yourself, or maybe get in a phone call to your accountant if you have any last minute questions. Take a look at your cash position, profits, capital expense requests, to name a few.

Decide how much money you need to have on hand going into the new year. Avoid the temptation to empty the bank account, just to save a few tax

dollars. Remember, profitable companies do pay taxes, it's just another business expense, and it's a sign that your business is doing well.

If you have any major purchases coming up, and you have cash on hand, you may want to consider advancing a few of those expenses. However, don't strip the company bare, financially, to do it. You will still need cash to operate on January 2. On the other hand, if cash is tight right now, ask your people to delay orders until January 2. This will give you an extra 30 days of cash flow, on accounts payable, as compared to making a purchase on December 30.

Review your profits for the year. Did you make enough money? Set your targets for next year. If profits are down, look at expenses that could be reduced, of course. More importantly, look at what you can do to improve sales. If there isn't enough money around, the way to do better is to grow profitable sales. That's where you want to spend your planning time. Set weekly and monthly goals for sales and profits, and put a chart on the wall that you can use to track results, so you keep your eye on the ball all year long.

Take a look at your business cycles. If you use QuickBooks, it's easy. Pull up a P&L, by week, and export it to excel. Then graph sales, and look for the ups and

downs. If you don't know how to do that, get someone to show you how. Graphing in excel is a basic business tool that will help you better manage your business.

Evaluate your year cycles. Are there big peaks and big valleys, or is it pretty steady all year long. Most businesses do have peaks and valleys – busy seasons and slow seasons. One of the mistakes many growing businesses make is to focus on the busy seasons, trying to figure out how to get more business done then. All this does is accentuate the peaks, and increase the drop into the valleys. Instead, look at the valleys, and try to figure out what you can do to get more business in the slow periods. A steady flow all year long will make your business much easier to manage.

Also look for long, steady trends up and down. Some businesses find that they do most of their revenue at one particular time of the year. If your business is doing a majority of its revenue in the fourth quarter, schedule an appointment to talk to your accountant about changing from a calendar to fiscal year reporting. It is very hard to manage a business, financially and tax-wise, when every effort throughout the year is focused on holding things together until you get to your busy season. It's hard to plan how to spend, how to grow, and makes it more difficult for everyone in the company to

## Wrapping Up the Year

12/25/06

feel successful throughout the year. It would be better, if you do have one huge quarter, to have it happen midway during the year. That's what fiscal years are for.

Next, make a plan for next year. Build a budget. It's not all that hard to do, but if you're not sure how to go about it, get someone to help you. A budget can be the financial roadmap you need, to help keep things on track, and to help you see when, and if, you should be making adjustments. Try to get this done in the next week, while things are quiet. Load it into QuickBooks, so that throughout the year you can run reports versus actual, to see how you're doing.

Now, plan out what you're going to do, marketing-wise, to insure next year is a growth year. A lot of businesses waste opportunity by waiting until January to plan out what they're going to do for the year. By waiting to plan until January, you may miss out on January opportunity, because you lose the chance to promote your business in the first 1/12<sup>th</sup> of the year. Lots of buyers out there do wait for January to make buying decisions, and you don't want your business sitting on the sidelines when those buyers are making their moves. Additionally, if you miss hitting your sales goals in January, you then are playing catch up for the rest of the 1<sup>st</sup> quarter, which is a poor way to start the new year. Instead, plan a strong entry now,

for January marketing. There are still things you can do, that don't take a lot of lead time. For example, you can put together a mailing, getting envelopes stuffed and labeled while you're finalizing and printing copy to go into the envelopes. You can write a New Year's announcement to send out, by snail or email to all of your prospects and customers. You can highlight what's happened for the past year, and what your plans are for the upcoming year. Talk about trends in your industry, outlook for the coming year – these things you can get from your regional or national trade association, or even by doing some research on the internet. You can even send out thank yous to customers and vendors who have helped you this past year – which will serve as a reminder to them that you're still out there.

Finally, don't forget to say thank you to the people who work for you. Without their help and support, you couldn't have gotten this far. If finances are tight, don't feel compelled to rob what little reserves you have left. Do remember to say thank you. And remind people that their efforts, going forward, will make a difference in how things come out in the next year.

If you had a good year, consider writing bonus checks to key players and top contributors. You may want to selectively recognize people who have had outstanding

achievements. Remember that recognition is at least as important, as a bonus check. Don't forget to recognize your steady contributors, who quietly and competently show up, get the work done, and don't ask for much.

Set goals with each person, for the coming year. Be clear that those goals line up with where the company is going. Tie performance bonuses for next year to those goals, as an incentive for people who focus on what you consider to be most important.

Wrap up the year with a set of notes, on how things went. List things you learned, and what you want to learn to do better in the upcoming year. File that away in a notebook, that you can refer to during the year, to help yourself stay on track. As a final note, don't forget to pull out your calendar for the upcoming year and plan time off, to rest, recharge your batteries.

Looking for a good book? Try *How To Succeed As A Small Business Owner . . . And Still Have A Life*, by Bill Collier.

# AskAndi

Trusted Advisor to Business Owners

## Wrapping Up the Year

12/25/06

*Business owners regularly turn to Ask Andi and Strategy Leaders for advice on how to grow profitable, successful companies. They find what they need time after time. Specific advice is available at [www.AskAndiBlog.com](http://www.AskAndiBlog.com). Ask Andi is also published weekly in the Westchester and Fairfield County Business Journals and Hudson Valley Business. Written by Strategy Leaders President, Andi Gray, the Ask Andi column is a rich source of advice for owners of established, privately held businesses.*

*If you are a business owner and you have a question or would like to discuss some aspect of your business, call [1.877.238.3535](tel:18772383535) or send an email to [AskAndi@StrategyLeaders.com](mailto:AskAndi@StrategyLeaders.com).*