

## Moving Forward in the New Year

01/08/07

Well, it's that time of year, again! Welcome back from the holidays! 2006, and all of its hopes, dreams, challenges, opportunities, missteps and triumphs is over. On to 2007!

As you plan what you want in 2007, think past specific goals, to how you will feel, how your company will look, what will happen, if you do accomplish those goals. That will help you to move through any sticking points, as you strive to move your business to the next level.

What needs to go into your plan for the upcoming year? There are some basics, including a forecast of sales and budget for expenses. There are some in-depth calculations, on numbers of people, space, training, and talent. Be sure to focus on marketing and sales, along with an operational plan to fulfill on the sales you plan to bring in. Next come tracking reports, key measures, snapshots and flash reports. And, of course, don't forget about yourself, as owner – what do you really want to have happen, personally and professionally. Include the topic of working towards an exit – short or long term – depending on how long you plan to be around.

Ready to go to work? Okay, here's your roadmap. Start with sales. Look at 2006 actual income, by month and for the year. Add 15% and that's your overall target for 2007. Look at

income by month, and see where there are dips and peaks. For 2007, try as much as you can to level the dips and peaks, rather than accentuating them. Set an income number for each month, the total for 12 months equals your overall target for 2007. If you have multiple product lines, set an income level by month, by product, and then total up each product for the year.

Define what your company has to do in the coming year, both domestically and globally, both face-to-face and over the internet, to hit its sales goals. Select clients who meet your criteria for "best", and figure out a way to get more of them, as you weed out troublesome accounts. Identify which employees are going to help you, either because they are especially productive or because they've worked in, and can help you model, an environment like the one you're trying to create.

Next comes Cost of Goods Sold. This is the calculation of what it will cost to deliver what you sold. If you're a service company, this is mostly labor. If you're a wholesaler, it's mostly the cost of products you buy and re-sell, plus any staff dedicated to shipping and receiving. If you're a manufacturer, your accountant has probably already helped you work out a good understanding of Cost of Goods Sold. It includes any products or materials you have to buy, to put together what you sell, plus the labor that goes

into manufacturing, shipping and receiving. Remember, when calculating Cost of Goods Sold, you ultimately want to convert it to a percentage of income, that is relatively stable, regardless of whether sales goes up or down.

Now build your budget for Overhead Expenses: General and Administrative, Overhead Salaries and Benefits, and Marketing and Sales Costs are the three big categories. G&A includes things like rent, telephones, insurance, taxes, professional fees, automobiles, office supplies, and the like. Overhead Salaries and Benefits are any personnel not included in Cost of Goods Sold. Don't forget to budget for increases in staff costs during the year, related to growth, and add in money for price increases on materials – they're going to happen.

As you budget for marketing and sales costs, if you think that hitting 15% growth will be a stretch, budget more for marketing than you originally planned to. If you have a ton of leads and aren't doing enough to follow up, then you probably need to add staff to sales or customer service. If you don't have enough leads, focus on hiring someone in sales who can generate new contacts. On the flip side, if your closing ratio is under 25%, focus on training your sales people, or looking for someone more experienced in closing business as compared to generating leads.

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01/08/07

Budget for networking, public relations, advertising, telemarketing, and internet marketing, all of which will help drive sales forward. Be sure that you have a broad based approach, instead of putting all your eggs in one basket.

Your overall budget will probably increase as the year goes forward, matched to sales growth. Be careful to keep a lid on spending as much as possible, so that as you grow you put more profit on the bottom line, rather than falling into the trap of working harder for less. That said, you don't want to keep such a tight lid on spending that you can't handle the new business you're bringing on.

Make a list of vendors, functions and skills that will need to be upgraded or replaced during the year. Decide on which vendors are not performing to your liking, and make a list of new vendors to investigate. Decide when during the year you will shop prices with vendors and vendor candidates.

You may need to re-organize how some areas of the company function, to take advantage of more efficiency through specialization as you grow. For example, where one person used to handle both accounts payable and accounts receivable, as you grow it may pay to split those into 2 functions, handled by 2 different people. Or, you may find that it makes more sense to separate

sales and customer service, focusing staff on doing what they do best – going out and hunting for new customers vs. mining the existing population for more business.

Evaluate all of your staff, not based on who you like, but who is performing and who is struggling. Make a list of new skills you'll need during the coming year, where to look for those skills, and when. Decide who needs training, and who needs to look for a new job – inside the company or outside, and who should get promoted.

Make a list of employees who may need to get off your bus, including timing. Map out employment slots you'll have to shop around to fill, including a column for "start date" for each position. Make a third column to indicate when you should "start looking" for candidates. A good rule of thumb is to back up one month from "start date" for every \$10,000 in income you expect to pay, to allow enough time for searching and interviewing, prior to hiring.

When planning hiring for the upcoming year, don't forget to consider outsourcing functions that your company isn't good at, as well as functions that you're not big enough to handle. For example, unless you're an IT company, you probably will be well served to vend out that function. Unless you're a

marketing company, you need to find a good marketing partner to help put your company on the map.

If you're planning on increasing staff, don't forget to budget for additional furniture, computers, cubicles or office space, as well as benefits to go along with salaries. If you're not sure what to pay for the new positions, go on the internet and look up salaries; you'll find websites that can help you price positions. Also remember that you'll need to clarify lines of authority as more people join the company. You want new employees knowing who to go to, so that they don't get lost as they're trying to learn about how things work. Lay out a tentative organization chart for the year, including showing open positions and dates by when they need to be filled.

Once you've set your forecast, budget, and staffing plan, it's time to look at what kind of tracking reports you'll need. Decide which numbers you need to look at monthly, which ones need to be checked weekly, and which you should be micro-monitoring on a daily basis. Things like cash on hand, accounts receivable and accounts payable often do well with daily inspection. Employee hours, contribution to reserve accounts, amount of sales and overhead expenses probably need to be monitored weekly. On a monthly and quarterly basis, you want to check on income,

## Moving Forward in the New Year

01/08/07

cost of goods sold, gross profit, net profit, assets and liabilities, especially focusing on growing the size of your reserve accounts. Practice with a set of tracking reports, by pretending you're not in the office, and using the reports to get a feel for what's going on. If the reports don't match your gut sense of what's going on inside your company, something's off and your tracking reports need work.

Now, most important, look over the plans and see if they will serve you the way you want to be served. Plan your time off, to get away from the business and recharge. Make sure you'll have staff in place, sales on track, and money in the bank before you go. If you think you can't get away, there's a problem. If you don't get away you'll burn out, and then you'll be no good to the business, yourself, or anyone else. Change the plans, so that you can, and do, get time away.

Finally, review your plans to be sure you come out profitable throughout the year. If you're not profitable on paper, go back and re-calculate. Either you need fewer expenses or more sales. Or you need both. Fix it now, on paper, so that you have a plan that works.

Once you have a plan written out, set it aside for a few days, then take it out and look through it, to be sure it's what you want. Ask yourself the question: How do

these plans help me move towards my ultimate goal – a profitable exit. This is, or should be, every business owner's ultimate goal. You can plan to sell the business to employees or in the open market, or sell it to your children or other family members. Regardless of the buyer target, preparing the business for a smooth sale transition, by working towards that goal one day at a time, makes for a stronger, more sale-able business.

If you get towards the end of January and you don't have your plan written out, schedule a four hour block of time to sit down and work on it. Make it a top priority. After all, without a plan, you'll never know where you're going, or when you've arrived. You'll just drift from day to day. And that's no way to live. Once your plan is done, then focus on execution – daily, weekly, monthly and quarterly.

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