



November 2007

Route to Profits

Sometimes all you need is a little direction...

This is the time of the year when our thoughts drift toward New Year's Resolutions. While it's well documented that a majority of resolutions focus on key to success is developing a plan and sticking with it. Have you considered the health and "well-being" of your *business*?

Strategic planning is a key success tool, whether you want to grow your business or seek ways to make your business more profitable. Consider adopting the following 10 New Year's resolutions for your business.

1. **Plan for cash!** Management's ability to get a firm grasp on cash inflow and outflow is imperative to a company's ultimate success or failure. Two of the best tools to help accomplish this are the preparation of an annual forecast and a zero-based budget. Traditional budgets start from previous year's spending and adjust each expense item up or down. A zero-based budget starts at zero and forces the preparer to justify every expense. You may be surprised how much fat has crept into your expenses as you go through this exercise. Consider which tool will work best for you and start the year off right!
2. **Analyze your competition.** Prepare a listing of competitors, the products they sell, and note their strengths and weaknesses. Compare this information with your own company's data. This step should enable you to develop ways to maximize your competitive advantage in the marketplace.
3. **Update your marketing plan.** Where would any company be without customers? Success comes from being able to attract and retain satisfied customers. It's important to evaluate products and services, and determine which are the most profitable. Is a change in your product mix warranted? Should one product be promoted more than another? Be sure to evaluate your current customers: Consider weeding out those that are unprofitable or disruptive to your business. Remember: "Profitable sales" add dollars to the bottom line.
4. **Evaluate insurance coverage.** Every company needs insurance to protect against losses from unexpected events. When was the last time your company's insurance coverage was evaluated? Prepare a list of your business insurance coverages, policy dates, premiums, and payment terms. Consider obtaining bids from various carriers or visit with different brokers for opinions on recommended coverages and to seek more favorable payment terms. In the event of misfortune, a thriving business could end unless adequately protected.
5. **Plan for capital expenditures.** Consider the future capital needs of the company. Prepare a statement of capital needs, including a projected timeframe for implementation, and



incorporate these costs into your budget. Schedule a meeting with your banker to discuss your business and obtain the criteria that will be used to evaluate financing needs.

6. **Schedule a tax planning appointment with your accountant.** Inquire about tax law changes that could affect your business, and tax strategies to minimize taxes, such as establishing a Section 125 Plan for you and your employees. Set strategies in place early in the year in order to maximize your tax savings.
7. **Evaluate your employees.** Consider the strengths and weaknesses of each, and use each employee's skills to develop a strong team. Consider a New Year planning workshop for key employees: develop strategies, set goals and hold your team members accountable.
8. **Analyze expenses.** Profits generally increase through increased sales, decreased expenses or increased profit margins. Review the detail of the company's expenses and consider which costs might be reduced. During this process, evaluate your current vendors. Does your business rely too much on certain vendors? Are there new, reliable vendors that could provide your company with the same or higher quality products and supplies at a more competitive cost?

9. **Read at least one management book.** Check the Internet or go to your favorite bookstore to search for a topic of interest. Don't overlook books on leadership; being a strong leader is one of the keys to building a profitable business and one of the most effective ways to influence people. Read trade magazines and industry-related data to keep abreast on trends within your industry. Attempt to identify synergies that could help you expand your business.
10. **Develop an exit strategy.** It's never too early to start planning. Whether considering a liquidation, passing your business to the next generation, selling or being part of an acquisition, the better your plan, the more profitable the outcome.

Strategic thinking requires management to envision an ideal business outcome work backward to determine the steps required and then develop a plan to get there. Lack of planning often leads to failure – whether planning for personal well-being or the well-being of a business. We're at the end of 2007 – what are *your* business resolutions for 2008?

Maggie Fleming, CPA is senior manager of Entrepreneurial Advisory Services for PKF Texas. Contact her at 713-860-5422 or m Fleming@pkftexas.com. Karen Love, Director, Practice Growth may be reached at klove@pkftexas.com or 713-860-1459.