Beacon
SMALL BUSINESS SOLUTIONS

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2008 has already Started

Here it is the middle of November, and the successful Small Business Owner (SBO) is doing Three Big Things before beginning the New Year.

Completing these Three Big Things helps us own our businesses. More to the point, we keep the business from owning us!

And we need to do these Three Big Things now—so we can enjoy the Holiday Seasons, and so we can start the New Year with a map that shows us where we choose to go.

The First Big Thing: Evaluation and Goal-Setting

You won't know where you're going until you know where you've come from. Basically, you need to measure your company's performance this year.

Measuring performance means reviewing the financial statements. Ideally, you should be scheduling time with your accountant to ask and answer a series of questions: Are we as profitable as we should be? Is our debt load under control? Is our asset level appropriate?

As we all know, numbers won't tell the entire story. We need a qualitative performance assessment as well, and many people use a Goal-Setting Process for this purpose.

The Second Big Thing: Budgeting

Budgeting doesn't have to be as hard as it sounds, but think of the payoff! As you work the numbers, you begin to see relationships that were always there but were previously hidden. Uncovering those relationships often is the key to success.

It's the process of saying, "Well, if I do this, then I should expect to see that, and in turn we should be able to do…". Once you've got that figured out, the only part remaining is to describe these processes in numbers.

I prepare budgets for my company, as well as for my church. I have noticed a paradox: every year the budgets become more precise, and yet they are easier to prepare!

It's because every year I'm uncovering more of those relationships, as well as seeing how those relationships change over time.

Here's an example: years ago we adopted paperless office technology, which required that we initially had to spend more money on scanners, improved backup systems, software, and training.

Now we find we spend less money on paper, toner, filing cabinets, and so on.

Changing one thing (scanning) resulted in another thing (reduced printing and paper storage costs), with a third thing (everyone's improved productivity) that is the real payoff.

So businesses are dynamic, and relationships change. But we don't always see those relationships until we take a step back and work on the business, rather than work in the business.

Budgeting is the best way I know to do just that.

The Third Big Thing: Tax Planning

Ultimately, what we're all after is to create wealth for ourselves and our families. Our businesses must generate a profit.

But with profits come tax liabilities, and that's OK. It just means you're profitable. People who own businesses that don't generate tax liabilities are people who own businesses that lose money.

And that's no way to live.

Having said all that, now is the time to plan your tax bills that will be due in April, 2008.

Think about it. The worst time to do tax planning is April 15. It's the worst time because you're out of options. The only card left to play is the IRA contribution card, and even that option may not be available to some folks.

If you own a business, and particularly if you own a profitable business, you owe it to yourself to start planning how much income tax you will pay next spring.

There are many good, and legal, options available to you. I'm not going to enumerate them here, because I want to stress another, more important, point.

It's not about the tax trick that you might play.

It's about knowing where your company stands, and taking measured, rational, and consistent moves that build wealth for the long term.

Think about it. If you're not in business for this purpose—to generate wealth for you and yours—you probably haven't created a company.

You have created a job. For yourself. I see it all the time here in York County.

A colleague recently introduced me to an owner of a franchised business. Later, this franchise owner was compared to another franchise owner—same franchise, different town.

The evaluation was insightful, but mercilessly cruel. Here it is, in its entirety.

"One owns his business; the other just rents."

Own your business. Complete the Three Big Things before the holidays.

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