

## Will You Be a Winner or a Whiner?

If you keep doing the same things next year that you did this year you will probably get the same results – is that a good thing? If it is, then congratulations! You must be doing all the right things and living your dream life. If not, then you need to ask yourself what needs to be done differently next year to make it a better one.

You must also recognize that the economy will perform anywhere from a mild recession to in the tank, depending on who you listen to. It will take a clear plan with focused action and strong beliefs to make the year a great one. It certainly isn't impossible to have the best year ever. In fact, with the right planning and strategy you should *expect* next year to be a great one.

Many small business owners and professionals seem to have a real aversion to the planning process. Mention budgeting and planning to the typical business owner and they will find anything else to do to get out of it. When it comes time to plan a vacation or a party, then great attention will be paid to the details. If that same business owner met with their financial advisor and the advisor had no plan for what the owner was going to do to grow their wealth, they would be a little ticked off. You can bet that advisor wouldn't be working for the owner much longer.

However, when it comes to making plans for one of their most important assets – the business – the owner tends not to see the value in creating a plan. Understand that you will only get to your desired level of success if you know where you are going and how you are going to get there. Taking it day-to-day and hoping for the best is not a strategy; it is a roadmap to frustration, poor results and maybe even failure.

There are two types of plans you must develop every year. The first is an annual business plan, including your marketing strategy, team development plans, product plans and operational/system enhancements. The second is the annual operating budget including a cash flow plan. The business plan drives the operating budget.

Your annual business plan must include the following:

- Determination of any changes/adjustments to your product offering – what is the market asking for and are you delivering it? What has changed in the marketplace? Are your profit margins acceptable across products or do some need adjusted or dropped?
- A detailed marketing plan including a marketing calendar and budget. Forget about the rules of thumb that tell you to budget a percentage of sales for marketing. Each business is at a unique place in its life cycle. Your budget should be based on what works for your business, what it will take to achieve your goals and what type of business you operate. The marketing calendar will lay out your plans for what you will do, when you will do it and when you need to start planning for it to make sure the marketing is completed on time.

- An analysis of your team's skills and deficiencies. Where does your team need to be improved and what must you do to get them the skills they need. Additionally, what changes need to be made to the team – do you have the right people on the bus in the right seats doing the right jobs? If not, now is the time to develop the plan to fix it.
- Details of what your goals are for improving the systems and operational efficiency of the business. How do you improve the delivery of your product to the marketplace? How can you reduce costs without sacrificing quality? What systems improvements will improve quality? How do you continue to reduce the reliance on *you* to run the business – what systems must be put in place to do this?

Once you have completed your business plan you will turn these into specific goals. In the next [Achieve Unlimited Success Newsletter](#), I will discuss how to effectively do this and build the action items to get your year off to a fast start.

The business plan will lead to a detailed operating budget. This can be a simple Excel spreadsheet or from financial software such as Quickbooks. Whatever you choose, make it simple for you to complete and to monitor your progress. The budget will contain monthly estimates for revenue by major product line. You will then budget your expenses breaking them down into those that comprise your costs of sales and those that are fixed expenses.

The rule to use to determine if an expense belongs in the cost of sales or fixed categories is as follows:

- If the expense will be incurred in the production or delivery of the product, it is a cost of sales. This should include those salaries directly attributable to making, selling or delivering the product as well as materials and marketing.
- Expenses not related to the production or delivery goes to the fixed expenses. Also, put those expenses you will need to pay even if you did not make a sale, into the fixed category. This would include rent, business insurance, administrative salaries, etc. (Expenses can be categorized differently based on the type of business you operate so check with your accountant if you are unsure.)
- Determine your gross profit margin by deducting costs of sales from revenues and your net profit margin by subtracting fixed expenses from gross profits. This will allow you to understand where you project to be by month and plan accordingly for the ups and down cycles of business.

Most businesses have some level of seasonality to them. Build your budget accordingly. After you have completed this budget, you can now go back and make adjustments wherever you see a problem.

Use this budget to build your cash flow analysis. The cash flow projection will take into account when you are paid for your product – which is not always the same as when you pay to produce it. It will also account for any debt servicing for credit card and loan

payments. You can also add any capital expenditures for the business to the cash flow analysis.

The cash flow and operating budgets are essential for every business. There is a lot of truth in the saying, “if you fail to plan then you plan to fail.” Decide whether you own a business or have a hobby. People who just have a hobby tend not to create plans for success. If you have a business and intend to run it accordingly, then create a challenging, but realistic plan.

It does not matter how big or small your business is, creating a plan gives you a roadmap. Organized plans, even though they may not be perfect in design, encourage persistence and definiteness of purpose. Now is the perfect time to develop your plan for next year. Take into account any challenges the market and economy may present to you.

Winners recognize what adjustments they need to make and do it. They tackle them head on and are prepared for it. Whiners let bad things happen to them and then blame circumstances. Create your plan now to become a winner next year and beyond.

To Your Success,  
Dennis