



THE CAPITAL CORPORATION

Closing Deals. Opening Doors.

Ten Resolutions for 2010

That Will Impact Your Bottom Line!

Every New Year brings about the perpetual ritual of promising ourselves things that we will do and not do. This is largely due to the sense of optimism that comes about with each New Year. The New Year seen as a delineable milestone, a fresh start as it were, encourages us to come up with more challenging and often unrealistic expectations. However, with some forward thinking and planning, businesses can use this time to implement important changes to their operations that can significantly improve their bottom lines, even in the face of a seemingly lifeless economy. These ten New Year's resolutions can set the stage so companies can achieve better performance in 2010.

1. **Refine your business plan.** When was the last time you took a good objective look at your business plan? Now is the time to take everything you have learned and determine how to optimize your opportunities. What needs the most attention? Where can your unique skills be most useful to growth? What aspects of the business can you trust to certain employees? It is typically not a good idea to refine your business plan until you carefully and critically look at the business. Don't rush into changes on day one; rather, set a timeline and keep the changes manageable.
2. **Utilize the SWOT approach to identify strengths, weaknesses, opportunities and threats to your business.** Obviously, the economic landscape has changed dramatically and the inputs to this type of analysis have likely changed too. New challenges have presented themselves in different ways — declining revenues, lost customers, receivable collections, inventory levels, expense reductions, just to name a few. But with change also comes opportunity. As you set about analyzing your business be sure to look for ways to adapt to the sluggish economy. This is the time for creative thinking and perhaps saying good bye to the status quo.
3. **Cash flow- review your access to capital.** This is a good time to take inventory of the financial resources that you have available to your business. Your bank, loan facilities and personal assets that you can make available to support your business are an integral part of your plan. Focus on shortening terms with your customers and structure the pricing to coincide with those terms. If you wait 90 days to be paid that means you are financing your customer's business. Or, if you give extended terms, get paid more. Consider options such as factoring.
4. **Nurture your key resources:**
 1. **Meet with key employees.** Indeed, meet with everyone on your payroll, but at the very least prioritize those who are most important to the success of your business and engage them in frank open discussions.. Your employees are the front line of your organization. As such, they can sometimes be more

closely tied than you may be to how the business is doing and where there is room for improvement. Reconnecting with your employees will give you invaluable insight into where your business is going, what your customers are saying and how front-line operations can be improved.

2. **Meet with key customers.** The life blood of all businesses is the customer. That's true for the family-owned store and the nationwide chain. Prioritize your most valuable customers. Who are the largest and most profitable clients? Who buys the most? Ask what you can do better to retain their trust. Try to meet with customers your business may have lost recently and ask what you can do to earn their business back. Don't forget the smaller customers. With top notch service and nurturing, they can become your most loyal advocates.

3. **Meet with key suppliers.** They are your partners. Listen to them. Consult with them. They can help you succeed -- or fail. Be ready to tackle any big issues that need to be addressed. Perhaps a key supplier doesn't understand your values as they relate to deadlines and quality expectations. Manage these issues, and if necessary, be prepared to make a change

5. **Explore alternative lenders.** Yes, banks and lenders have taken a hit in the last two years but you will probably be surprised to learn what's out there. It can take time to find financing sources but it is not impossible. Do your homework and get all of your questions answered ahead of time – before a crisis hits.
6. **Analyze financial statements.** Use this information to stay on top of the current position, make needed changes and forecast the future of your company. Use financial analysis to look at trends in your company and to compare your company with others in the same industry. You can then make adjustments to get your firm back on the right track if you find any problems. Based on your sales forecast, historical financial data, and economic data, you can forecast what you think your firm's position will be out into the future. Of course, unforeseen events will happen that will cause changes in that forecast, but it will at least give you a general roadmap for planning
7. **Develop an exit strategy:** Planning how you exit your business is just as important as how you start it. The goal is to maximize the value of your company before converting it to cash, and to minimize the amount of time consumed. Business owners who don't plan for ownership transition are often faced with an inability to receive enough money in an ownership change to fund a comfortable retirement or to provide for their families, not because they failed to create value in their businesses but because they failed to do the planning that would have allowed them to keep that value. At the end of a long, successful career they fail themselves and their families due simply to a lack of planning. Getting out of business is a process. The length of time required to complete the process is directly related to the complexity of the business, and the circumstances underlying this decision to get out of business. Disputes and litigation add another dimension to the timeframe.

Entrepreneurs live for the struggle of launching their businesses. But one thing they often forget is that decisions made on day one can have huge implications down the road.

- 8. Keep an eye on taxes.** Currently, qualified dividends and long-term capital gains are taxed at rate of 15% or zero percent for the taxpayers in the two lowest tax brackets. These rates are scheduled to expire at the end of 2010, at which time capital gains would be taxed at 20% and dividends would be taxed at ordinary income taxes rates. While there is much speculation as to how much Capital Gains tax will be raised the one thing everyone seems to agree on is that *they will be raised*. A conservative scenario would have capital gains and qualified dividends taxed at 20% for taxpayers in the top two tax brackets of 36% and 39.6%, at 15% in the middle two tax brackets, and at zero percent in the lowest two tax brackets. These new rates are projected to take effect in 2011. These proposed changes will have a significant impact on all business but especially hard hit will be those contemplating the sale of their business. Special consideration must be given to the pros and cons to selling while the rates remain favorable, or delaying your exit strategy to make up for the loss in the cash value you will get to keep.
- 9. Enlist the help of professionals-** The standard disclaimer “do not try this yourself” may be good advice when it comes to acting on some of these resolutions. It is important to know when you need professional assistance. Developing a relationship with professionals that can guide you through these steps will not only will free you to keep doing what you do best- running your business- but will bring years of experience and new ideas to increase your bottom line.
- 10. Stop smoking, exercise more and spend quality time with family and friends!**