

Small Business TodaySM

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10 New Year's Resolutions for Small Business: Have a Prosperous 2008!

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Year-end can be a very busy time for many small businesses. Before rushing on to your next item on your new to-do list, however, I encourage you to briefly pause and consider the following ideas for making 2008 your business' best year yet.

1. Plan on Success.

If you have a business plan, there is no better time of year to review and update it than now! Celebrate successful attainment of benchmarks you set last year and spend some time analyzing why other goals did not come to fruition. Through this process, you and your team will build on your experiences and correct the direction your business is heading.

If you don't yet have a business plan, take some time to prepare a formal, written one now. This document will not be turned in for a grade, so remember: perfection is not the point and there are no "right" answers.

And don't hire this out to consultants or business plan "preparers." Business plan creation and evaluation should be undertaken by you and your managers. If you need guidance in the process of writing or rewriting your plan, try consulting your local Small Business Development Center or SCORE chapter.

There are also decent templates available for sale and free download on the Internet—just don't succumb to the allure of "fill-in-the-blank" forms. Yes, they are quicker and easier than thinking it all up by yourself, but faster is *not* better!

A plan developed from scratch by you and your team can be an invaluable resource for your business. Using an outline created by someone else can be helpful, but modify and expand on that outline to truly reflect how your company works and how it fits within your industry.

So, get started on some kind of planning process, review your plan periodically, and update and improve it as your business grows and changes. Looking back at last year's plan can be a real eye-opener and a great opportunity for your whole crew to recommit to moving your business in the right direction.

2. Inspect Your Organization's Foundation.

If you haven't organized your small business as a limited liability entity yet—*shame on you* (to quote my Grandma)! You are missing out on potentially significant tax planning and asset protection opportunities. The uninitiated should review my newsletter archives at <http://www.southernbizlaw.com/Newsletter.htm> for further information on this subject.

But let's suppose your business *is* organized as a corporation, LLC or even a partnership. Maybe you've even properly completed the organization of your entity by preparing the requisite bylaws, operating agreements, minutes, etc.

As your business grows, you should occasionally review how and how well your company was originally organized. You may have brought on additional owners, split with previous owners or have decided to operate your business as a different type of entity in the time since the business' organization, for example.

These types of changes in your business can affect its structure or provide new opportunities to use entities for additional support, liability protection and tax minimization. In a business expansion, you may decide it even makes sense to create affiliate companies to service your main business rather than trying to do everything in one entity

Start to see your business as an evolving organism. Before you outgrow the agreements and liability protection you started out with, consider giving your business a New Year check-up to make sure the way you operate still works for you and any other owners involved.

3. Document Your Employee Policies.

If you've got employees, you need a written set of policy documents signed by you and your staff. Period.

Employee policies are not the same as employment contracts. You can still freely hire and fire personnel subject to an employee manual. With a manual, however, if an employment disagreement ever arises with your "at-will" staff, you will be glad to have something in writing to which everyone can refer.

Common disagreements arise over vacation or personal leave time accrual and payment upon termination. Contrary to popular belief, there is no law covering these subjects to which employers and employees can turn for guidance.

What to do about these issues is determined by whatever terms are negotiated between you and your people. Without documented proof, you could have little recourse other than to pay more than you anticipated when your ex-employee departs—especially if the split was not amicable.

Moreover, written policies improve employee morale by providing an

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objective framework for performance review and help guide employers in treating each worker fairly. Included job descriptions define the expectations of both parties in an employment relationship.

If you have an employee policy manual already, the New Year is a great time to review it to ensure situations you encountered last year are addressed therein. Like your business plan, employee manuals should be regularly updated and expanded.

Whenever you make changes to the manual, be sure to provide your staff with copies of the changes and obtain new signature sheets verifying each person received a copy. And, for goodness sake, keep all original employee-related materials such as employee manual signature sheets and employment contracts safe from pilfering or manipulation.

Everyone wants their workers to perform their best. Properly written and well-considered employee policy manuals can help you get the most from your people and will protect you in the event a misunderstanding ever arises.

4. What Happens If...?

What will happen to your small business when you die or become disabled? If your business is your primary source of income and you can't answer the above question, you have a problem.

A well-considered exit strategy is as important as your initial business organization and should be handled in conjunction with your overall estate plan. There is no "right" way to handle the question of successions, but options may include turning over the reigns to a key employee, a child or a spouse, or ceasing operations and liquidating assets.

Failure to address this issue now could result in your business running into the ground following your life-changing event. Without a succession plan, there may be nothing left of your business to provide for you or your family in a time of need.

Even if you already have a plan in place (and I congratulate you), you still should review it annually to ensure the people you originally wanted to succeed you in the organization are still appropriate choices—or perhaps you've met the perfect successor when you initially planned just to dissolve the business.

Don't lose all you have worked so hard to build! Whatever your situation, take a moment this year to plan what happens after a catastrophic event.

5. Out With the Old.

Old documents and electronic information, such as databases and e-mails, shouldn't be kept any longer than needed. After a while, your business information is just so much evidence waiting around for a lawsuit.

But don't start shredding yet! Your company should first develop a comprehensive document destruction policy before doing anything to your papers.

This policy should be formed in light of your tax situation, common liability issues, and what others in your industry consider appropriate. Your policy should be reviewed by both your CPA and attorney. Destruction should then take place regularly according to schedule—no sooner; no later.

If you are sued, all destruction should stop immediately except as approved by the court or your defense counsel. Otherwise, your company may be deemed by the court to have destroyed evidence and interfered with the other side's right of discovery—a potentially fatal error in criminal or civil actions.

6. Where's the Money?

Anyone who's ever started up a small business can tell you: how you manage overhead will make or break you. Even if your business has been around for awhile, however, a review of where your cash went last year can help you find money for valuable new projects which currently is being used less productively.

For example, your vanity 800-number may be costing you \$600 a year or more. But how many customers are really using? Perhaps that \$600 would find more productive use as a new laptop for your sales department.

Or let's say you really need your 800-number but got it years ago when rates were \$100s or \$1,000s more per year than they are today. Maybe it's time to renegotiate how much you are paying for that old service given more competitive modern rates.

You may have noticed both of my examples involve a kind of "subscription" service. Auto-renewing subscriptions and leases are a great way to slowly bleed to death because they eat you alive a little at a time and often go unnoticed. Further, we forget to cancel them until long after they are useful. As a result, sign up for subscriptions carefully and only when you are committed to monitoring their ongoing usefulness to your firm!

Regardless of how you are spending or on what, annually reviewing your cash outflows is a good habit that can help you get more of what you really need from the stuff you really don't.

7. Your Business as a Well-Oiled Machine

Are your systems working for you or the other way around? How are your people and equipment getting along these days? Consider this your invitation to give it some thought.

For example, are needlessly maintaining separate fax, copier and printer machines with different toner, service agreements, more paper and separate floor space for each one? Or do have one combined unit, but your people stand in line half the day to use it, holding up valuable work and decreasing productivity? Would you know how much either of these issues is costing you in real dollars?

Maybe you always update your software to the most current version available regardless of whether the newer version actually serves you better. Have frequent upgrades lead to incompatibility with other software crucial to your business, leading to massive spending on programming to work out the kinks in your new, "more efficient" system?

Or do you end up nursing dying machines or waiting until your systems are hopelessly antiquated before updating, thereby missing out on great new features that could have your staff whipping through work that used to take forever?

Whether you are an early-adopter or more staid, staying abreast of current technology is vital to small businesses. Before adopting any new technology,

however, you should thoroughly understand your current systems and their compatibility with proposed upgrades.

When considering changes in systems to which your people have adapted, include the temporary decrease in productivity due to their learning curve as part of your cost analysis. If the change appears it will ultimately move your organization forward by quantum leaps, but with a steep learning curve—consider wading into the change instead of jumping in.

Send your fastest learners to training and do a “test” rollout of the new system first. You will get a real idea of the challenges involved with the upgrades before general implementation and will have time to work out any kinks before plunging your entire office in chaos.

If all goes as billed and the new system works well with your existing stuff, the second stage can be a general release to the rest of your people. The first users can then informally coach everyone else through the change with real-world knowledge about the pitfalls they’ve encountered.

If the test fails, however, you can pull back before any real harm is caused, evaluate the experience and find a different (perhaps, simpler) solution.

For more information on this subject, see these websites:

- ◆ SCORE:
<http://www.score.org/index.html>
- ◆ SBDC: <http://www.asbdc-us.org/>
- ◆ Entrepreneur Magazine's Small Biz Books:
<http://www.smallbizbooks.com/>
- ◆ Fortune Small Business:
<http://money.cnn.com/magazines/fsb/>

8. Tax Planning.

In a growing firm, each year is a new tax adventure. You should look, therefore, for ways to keep your money where it can produce meaningful results.

See your CPA and financial advisor for ways to continue socking away last year's profits today. In some instances, tax-planning for the prior year can continue through the first quarter of the current year.

After evaluating how well you have done in 2007, take advantage of these rules to protect your profit. That way, you can avoid paying more to the Feds than is absolutely necessary and find a more useful home for that cash.

9. Commit to learning

One thing every item on this list has in common is an underlying commitment to learning. To take these actions, you will have to know a lot. But it's the adventure of new challenges that got you into a small business to begin with, right?

Learning happens when you and the information you need to know meet up. That information can come from industry-specific periodicals, friends, seminars, newsletters, colleagues, mentors, your plumber, etc. Wherever you get your knowledge, first verify it and then hang on to it.

The road to success is a frequent target for lame metaphors, but the truth is, mistakes, perseverance, learning and (ultimately) experience is the only way to get to where you want to go. If you aren't into that, perhaps IBM is hiring.

10. Delegate!

(Drum-roll, please.) The number ten thing a small business owner should do in 2008 is—delegate! What?

That's right, you can't do it all! Control-freaks last about one nanosecond in a small business. They burn-out faster than Edison's fifth incandescent light bulb prototype. So give it up already.

Let's say you love being in the jewelry business but hate doing the books so much that bills go unpaid and your only financial records are bank statements kept in a shoe box. What are you doing? Delegate.

Business is booming in your computer consulting company. You can barely keep up with the work and don't have time to answer all of the phone calls, so potential customers just go away. What are you doing? Delegate.

Now, I'm not saying *hire* someone necessarily. Consider instead the loads of good temps, service providers and consultants out there. Answering services, call centers, your CPA's bookkeeper are all there to help you—usually on a prorata fee or fee for service basis. Use them.

By delegating the stuff you hate to do or do poorly, you get a better life, your business prospers, and you only pay for what you need. What could be a better resolution in 2008 than that?

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