

A New Year, A New Outlook for Your Business

A Practical Guide to Making Important Business Changes for the New Year



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New Years brings about a time of celebration. It also brings about a time of reflection. We look back at what we did right, what we did wrong and how we can improve next year. People make resolutions and vow to lose weight, save more money, spend more time with the family, and go on more vacations. These are all excellent personal goals. But what about your business?

As a business owner, the New Year's holiday has many implications. Your fiscal year may be over so you have the opportunity to assess your bottom line. You also have the opportunity to look forward to the coming year.

A New Year Awaits. What are you going to do with it? Here are 12 New Year's Business Resolutions To Get You Kick Started Towards More Profits, Better Business, and a Happier Life



Resolution #1 Set Time Aside To Assess The Past And Plan For The Future.

Your financial reports are a valuable tool. Even if you do all of your bookkeeping by hand you can generate information to help you understand where your business can improve and where your strengths lie.

What were your profits last year? Exactly how much did you make? Here are three excellent statistics for you to use to see where you've been and where you're going.

1. **Hourly value.** This number is calculated by figuring out what your average monthly profits were. If you made 24,000 last year then your average monthly profits will be 2,000. Divide your average monthly profits by the number of hours you work each week.

Note that for this number to be accurate you need to track how many hour you work. If you don't track this information you have another New Year's Resolution – start tracking your time!) Assuming you work 40 hours a week, your hourly value is $2000/160$ (160 is the number of hours a week multiplied by 4 weeks in a month.) $2000/160$ is \$12.50 per hour.

You can also find this number if you take your annual income and divide it by 2080 assuming you worked 40 hours a week, every week of the year.

Why is this information important?

Knowing how much you make per hour is helpful in many ways. It can help you set goals for the upcoming year. Maybe you'd like to double this rate to \$25/hour. It also helps you to know how to prioritize your workload. Maybe there are tasks you can outsource at a lesser hourly rate so you can focus on more profitable tasks. We'll talk more about outsourcing in just a bit.

2. Current ratio The current ratio can be a painful measurement but it is helpful to assess whether your business has enough resources to pay its bills over the next 12 months. Knowing this information may very well change how you do business, how you manage your cash flow, and how you set your goals for the upcoming year.

The formula is: $\text{Current ratio} = \text{Current assets} / \text{Current liabilities}$

It's a pretty simple formula and if you keep good bookkeeping records, it should be easy enough to calculate. Your current assets are the category of assets on your balance sheet that represent cash and assets you expect to be converted into cash within one year. Your current assets will include your accounts receivable and your inventory.

Current liabilities are your category of liabilities on your balance sheet that represent your financial obligations –aka your debt, that you expect to pay off within one year. .

For instance, suppose a business has \$5,000 in current assets and \$2000 in current liabilities.

Then the current ratio is $\$5,000/\$2000 = 2.5:1$.

So for this business, the current ratio gives a clean bill of health. For every dollar in current liabilities, there is \$2.50 in current assets. This means that if you need to go out of business tomorrow, you'll have no problem paying off your business debt. The general rule of thumb is that a ration of more than 1 is good. Keep in mind that a ratio that is too high may mean you have too much inventory and certainly less than 1 means you have too much debt.

3. Profit margin This may be your best measurement of success because it tells you how much you're earning per sale. It also helps you evaluate your costs. It may be easy to know how much you spend on web hosting or how much you spend in office supplies but when you see your profit margin, you get a better idea of how they affect your business.

The formula is: Profit margin = Net income/Sales

Net income is calculated by taking your gross income (all of your profits for the entire year) and subtracting your costs and expenses.

For instance, your sales are \$40,000 while your net income is \$25,000, you profit margin is $\$25,000/\$40,000 = 62.5\%$.

So for every dollar in sales, your business is making more than 62 cents net profit. While this may seem pretty good, the only way to truly use this statistic is to calculate your Profit margin every year and compare the numbers. Obviously, your goal is to increase your profit margin. The more you take home from every dollar, the better.

Resolution #2 Set new business goals.

Remember way back when you drafted a business plan? Okay, maybe you didn't draft a business plan but somewhere along the line you probably wrote down some goals. Maybe they were financial goals like "I want to make six figures this year." Or maybe your goals were more along the lines of "I want to start a business so I can take that vacation to Europe before I turn 40" Maybe you simply wanted to be able to have a retirement savings or maybe your goals were to support your family. What ever they were, have you reached them?

Take a look at your old goals. What goals have you reached? What goals have you yet to achieve? This is an important time of evaluation and the perfect time to set new goals. If you have achieved old goals – congratulations! It's time to set new and loftier goals. Use your financial reports and the results from Resolution #1 to guide you.

If you've yet to attain your goals, why not? What do you need to do to make those goals a reality this year?

If you're starting with a fresh slate because you never really set any business goals, now is the perfect time to start. Don't let this opportunity pass you by. Goal setting is extremely important in your personal life as well as your business life. It is a way to motivate yourself to reach new heights but it is also a tool to measure your successes and yes your failures. If you don't set goals, and create a plan to achieve them, then how will you know how you're doing and where you can improve?

How to set goals.

Goal setting is an art. The old New Year's goal of losing weight is a terrible goal. It isn't measurable for one. How on earth will you know if you've reached your goal? The same holds true for business goals. How will you evaluate whether you've attained a goal of "making more money?" How long do you have to reach the goal? A month? A year? What about quantity? Would a dollar more than last year's profits work?

Here is the way to remember if a goal is good or not. **SMART**

- S** Your goal must be **specific**. Be as detailed as you can about your goal. I want to increase my profit margin by 10% or I want to reduce my business debt by 50% or I want to double my gross income.
- M** Your goal must be **measurable**. Measurable means that there must be some kind of quantity you can evaluate. I want to reduce my business debt isn't measurable but I want to reduce it by 10% is measurable. You have a beginning debt and an ending debt, the calculation is easy.
- A** Your goal must be **attainable**. The goal of making a million dollars may be a measurable and specific goal but is it attainable? If you're currently making \$30,000 then a million may be a bit of a stretch. This is a tricky one because you don't want to set a goal that is too easy but you also don't want it to be so difficult that you cannot possibly reach it.
- R** Your goal must be **relevant**. Good goals relate to you and/or your business. Your goal can be to outsource 50% of your administrative duties or it can be to increase your hourly value however if your goal is to watch less television, that isn't directly related to your business.
- T** Your goal must be **timely**. Give yourself a deadline. Just because we're talking about New Years doesn't mean you have to give yourself a year to accomplish your goals. In fact, the best way to set goals is to have a few short term goals, a few mid range goals, and a few long term goals. Your short term goals can be a week, a month, or a fiscal quarter. Mid range can be one or two years and long term goals are generally five years and beyond.

Resolution #3 Promote your business regularly and consistently.

You're swamped with orders and trying to fill them all. Your website needs management, your next project is taking up a majority of your time and yes, your beautiful family needs you too. What happens to marketing and promotion tasks? They fall to the bottom of your to do list.

Once your business reaches a profitable level, it is easy to let go of those potentially time consuming marketing tasks. However, if you want your business to grow, if you want to reach your financial goals, then you need to set aside the time to market your business.

The beginning of the year is the perfect time to create a marketing plan. Devise a schedule, schedules are easier to stick to, and plan marketing right into your schedule. A marketing plan can include your:

- Advertising and promotional plan
- The expected costs or budget for advertising and promotions
- Necessary advertising and promotional materials
- A list of advertising media to be used. I would also include when you plan on using them. For example you may want to run a highly targeted pay per click campaign during your busy season and during your slow season you can run an incentive program and an article marketing campaign.

Resolution #4 Integrate business planning into your daily routine.

Planning is a skill that all business owners must have to succeed and sustain their business. Planning helps you avoid costly mistakes and stay on track. It increases your productivity and best of all, it takes much of the stress out of being a business owner.

Planning your business begins with planning your day. One of the best ways to keep your business running smoothly is to take a daily assessment of your goals. We just finished talking about short range goals. Extremely short range goals are often defined as tasks. They're things you need to get done daily, weekly, monthly, and yearly. Many successful business owners take a few minutes every night to plan their task list and goals for the next week and to assess their productivity for the day.

Here's what a planning schedule might look like.

Sunday nights, take a few extra minutes to plan your week including any goals for the week as well as your schedule and tasks.

Monday – Friday Night take a few minutes to assess what goals and tasks were accomplished and what needs to still be worked on.

Once a month take stock of any goals you're currently striving toward as well as take a few minutes to assess last months accomplishments, goals met, and goals yet to be met.

Quarterly you will want to evaluate your income and expenses as well as the status of any goals you're working on. It is also the time to set new goals for the upcoming quarter.

Annually – well annually you will want to make 10 business resolutions just like the ones you're making now.

Resolution #5 Learn something new.

Sometimes we, as business owners, fall into a rut. Sad but true. You get up, get your family off to work, and set about the business of doing business. True, one of the great things about being a business owner is that you can spend your day doing what you love but what about all of those wonderful things that you don't know how to do?

Do you want to learn to write copy? Create great graphics? Do your own taxes? Or do you want to learn something more fun? What about learning how to talk in front of people give workshops, or a new skill that compliments your business? If for example you're a nutritionist you could learn about becoming a fitness coach and add that to your portfolio of services.

Make a list of five new skills you want to learn. They have to be related to your business but they don't have to be mundane skills. Make it exciting and look for new ways to grow your business at the same time.

Resolution #6 Join a new networking group, mastermind group, or get a mentor.

Networking offline and online is an exceptional way to build your business opportunities and increase your customer base. Hopefully you already belong to a few organizations and they are helpful, stimulating, and encouraging. There's nothing more stimulating than seeking the input of others who can relate to you and your business. That being said, what is stopping you from adding another wonderful group to your list? New people can add new ideas, new opportunities, and new inspiration

to your already growing business. Chances are you already have an idea of a group or two you want to join. Get busy. Schedule it into your calendar to join them. If you don't have a group you're already interested in take a look at what your community can offer. Offline organizations are an excellent way to increase local opportunities. Of course there are many opportunities online too. Do some research and make a list of 5 groups you can join this year to improve your business.

Resolution #7 Make time for you.

This is huge. If you do not take time out for yourself, you're going to burn out. It may not happen tomorrow. It may not happen next week, next month or even this year but it will happen and on the way to burning out your business will suffer, your life will suffer, and your family will suffer. Besides, don't you deserve a little time and TLC? Of course you do.

Making time for yourself doesn't have to be huge – you don't have to visit the tropics every winter for two weeks. (Of course you can if you want to!) The key to real and lasting sanity is to make time for yourself often – not just once a year. An optimal routine might be to do something every day that you want to do like exercise, take a bubble bath, get a massage, do yoga, or read a good book.

You can take a long weekend every month or every other month to spend quality time with your family and by all means turn on the closed sign at the end of the day and especially on the weekends.

Annually, or semi annually, go ahead and take that big vacation. It is understood that you'll probably take your family but that doesn't mean you cannot sneak some time for yourself into the vacation.

Resolution #8 Improve

Take stock of your business processes, equipment, and procedures. What needs improvement? Is your web host no longer meeting your needs? What about your computer? Here are some systems to look at to see if there is room for improvement.

- Invoicing and billing system
- Website
- Accounting system
- Filing and organization
- Business hours/schedule
- Fax/phone/printer
- Auto responder

- Shipping and fulfillment
- PPC campaign/marketing campaign
- Search engine rankings
- Subscription forms
- Customer support

Take the time to improve or replace any systems or equipment that isn't working and you'll have a better, happier, less stressful year and your customers will appreciate it too.

Resolution #9 Let it go.

Presumably not everything is perfect in your business world. While some systems, products, employees and the like can be improved. Some just need to be let go. Sometimes it can be detrimental to your business to hang onto a bad situation too long. For example, if your accountant isn't meeting your needs, let them go. There are other accountants out there and the transition won't be as painful as you think. The good news is that once you've made the break – you're done. It's over and you have the future to look forward too and a valuable lesson has been learned.

Now, I'm not intentionally picking on accountants, it could be any service provider. It can also be any product that just isn't selling. If you're a direct sales consultant and you absolutely love one of your company's products but it just isn't selling no matter how you promote it – let it go. Focus your energy on much more productive and profitable.

The same holds true for a process or a campaign that you've invested a lot of time and energy into. Take steps to document why things are not working so you don't make the same errors and can improve your business.

Resolution #10 Outsource

There are only so many hours in the day and no matter how much work you have to do, sometimes you just can't get it done. Do you risk your health, and perhaps your sanity, by working 80+ hours a week while still tending to your family? That schedule will result in many long sleepless nights and sleep deprivation is no way to run an efficient, productive, and growing business.

So what is the solution? Outsource those tasks that you:

- Don't like to do

- Are too time consuming and don't directly affect your bottom line – these would primarily be administrative tasks.
- Are skills that you may not have or would take you a long time to learn. An example might be writing a scripting program for your website.

The best way to decide what to outsource is to have some goals. Are you looking to gain some more time in your day? Are you looking to increase your hourly value by focusing on tasks that will directly affect your profits?

Once you understand what your goals are, the decision is easier to make about what to outsource first. Most often it makes sense to outsource your administrative tasks, which can involve hiring a virtual assistant.

The great thing about a virtual assistant is that they are self employed individuals, which means they are responsible for taxes, benefits and so on. Virtual assistants can also be skilled in a variety of tasks from scheduling to copywriting and updating your website.

When outsourcing any project or task to a freelance individual it is important to ask a few questions including:

- Have you handled these tasks/responsibilities before?
- Do you have references?
- How long have you been in business?
- What do you charge?
- How do you invoice/bill?
- How will you communicate with me?
- Will you sign a non-disclosure agreement?

Remember that when you outsource, you're not handing over your business, you're delegating some tasks to people who are experts in that particular field. You're still the manager and owner of your company.

That being said, outsourcing may be the best business decision you make this year. It can free up valuable time for you to focus on more profitable tasks, it can increase your hourly value, and it can certainly make you more productive.

The end of one year and the beginning of another lasts for a priceless few days. Schedule the time while you're feeling the change of time to improve not only yourself but your business. As you make these resolutions and changes in your life your business will continue to improve and profit. More importantly, these 10 resolutions, when taken seriously and added to your business life and routine, will dramatically improve your life. Being a business owner has many challenges and rewards – why not take a few steps to reduce the challenges and increase the rewards?



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