

news & ideas

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Planning for Success

BY NEIL FAUERBACH
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When we see successful companies, there are often many similarities that can be observed. The traits that make them successful come down to a few categories: people, planning, and controls. You can argue that there are other traits that make a great company such as product, culture, capital, or vision, and that argument would be true. But the old saw that goes, "If you don't know where you are going, any road will take you there." In other words, plan for your success.

Here are a few thoughts on planning, and improvement initiatives.

Voice of the customer in planning

Before you write your strategic plan, find out what your customers and your prospects are buying and why. Why did your customers choose you in the first place and why do they continue to buy from you? How do you find out? Ask them. Our firm interviewed a handful of key clients to ask 'why they did business with us'. Their answers told us we were on the right track, but also gave us some great insight on how to improve. We are applying that feedback to do more of what the clients appreciate, and eliminate the unnecessary and not appreciated.



There have been studies by J.D. Powers & Associates about the buying habits of highly satisfied customers. These customers are less likely to shop on price and are more likely to buy more of what you have to offer. You can have all the advertising, sales and specials you want.

But there is no better way of getting and keeping more clients than to do a great job for your current customers.

Do you understand the market? What is your competition doing?

I have not been one to mimic my competition, but it is a good idea to keep an eye on them. Have they found a market yet undiscovered? Are they focusing efforts away from their key customers? What is their pricing strategy? Those are important facts to understand when you are up against them in the market.

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a note from our managing partner

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riding the technology roller coaster

During the last few years, we have made significant changes in the way we do business because of new technology that has become available. These changes mostly have to do with communications and transfer of documents and records. This has dramatically increased the pace of the flow of information in and out of our office, and the efficiency of our work. One huge downside of new technology is the vulnerability of the information we send and receive. As we are able to transfer more and more information, the chance of access by unauthorized third parties becomes greater.

We have recently spent a great deal of time discussing the security issues involved with electronic records. We want continue to make sure that all client data is secure, but we also do not want to reduce the efficiency of using electronic records. We think we have a good answer as a temporary solution.

Starting immediately, all electronic records sent through e-mail from our office will be protected with a password. The password will use a standard protocol of the first four letters of the client's name plus the last four digits of the social security or employer identification number. The e-mail will not include these password clues. Even if the e-mail were intercepted, the password should make it difficult to gain access to any personal information. Please let us know if you receive any information from our office that you feel should have been password protected. We also suggest that you use the same password protocol for sending electronic records to our office.

As I said, this is only intended to be a temporary solution. We are working on a number of encryption tools and alternative information distribution methods that are in their development stage. Our hope is that they will be available soon and will make security much less of a concern in the future. 

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What is happening in your industry? With your suppliers? How are you affected by global changes? Many businesses understand these dynamics but don't react to the changes.

Identify and improve your processes

A process is something that is repeatable. You can identify the steps in a process, document the steps, and make improvements to each step. A small manufacturer can have hundreds of processes, all with many steps. By examining the processes critical to designing and making their product, or delivering product to customers, they can increase customer satisfaction and reduce costs.

As an example, a client of ours has undertaken a process to reduce errors in their shop drawings. These errors create expensive problems in the field when the errors are discovered late. Eliminating these errors saves time and increases profit.

Plan to eliminate unprofitable products, vendors and yes, customers

It is very possible that you are not making money in areas you think are your bread and butter. If you look at the 80/20 rule, you make 80% of your revenue from 20% of your clients. But you are spending most of your time on the customers who only give you 20% of your revenue.

When I see the barista at a local coffee shop spend three minutes on a special drink and charge only a small premium over a plain old cup of coffee that takes 15 seconds to serve, I ask, in my head, of course, "Do you

know the opportunity cost of making that drink?" Is this a product that is helping add to the bottom line?


What about the customer who is always looking for a discount, pays late, isn't satisfied with the product or service, and is just plain not fun to work with? Are you making money on that customer? You may think you are, but take a closer look at the time you are spending, the grief they are giving you and your staff. Could that time be better spent elsewhere?

Plan for success

Planning is working on the **important but not urgent** issues in your business, according to Jim Collins in his book

Good to Great. He calls it working in Quadrant Two. Q2 issues include *planning, goal setting, reviewing progress, prevention, and building relationships*. It helps you avoid working on the **important and urgent** issues. These are Quadrant One issues. Q1 issues

include *crisis, deadline-driven projects, meetings and reports, and pressing problems*.

Creating a disaster plan forces you to think about what might go wrong and what to do about it when it happens (Q2). Without a plan, all you have is hope. Hope does not bring back a crashed computer. You spend your time trying to reconstruct your data, locate your client files, and determine where you are with A/R (Q1). Q2 is thinking about the future. Q1 is trying to fix the past. The more time you spend on Q2 issues, the less time you need to spend on Q1 issues. 

creating a disaster plan forces you to think about what might go wrong and what to do about it when it happens.

Decisions to Make or Break You

popular HR mishaps

BY BETTE ANDERSON,
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Cell phone policy?

The increasing cell phone use while driving is becoming more of a risk. Companies with employees who use their cell phone while driving need to take steps to address those risks or they may be held liable.

According to "An Investigation of the Safety Implications of Wireless Communications in Vehicles," a National Highway Traffic Safety Administration report, crashes are likely to increase in relation to the growing cell phone use in vehicles. Cell phone users are 500 times more likely to get into an accident. If an employer provides cell phones, or if cell phone use is a necessary part of a job, then the employer can be liable for problems created by their employee's use of cell phones while driving. Making a business call on the cell phone or looking for directions to the next business appointment are typical causes of accidents.

Even if employees are not officially on company business, and in some cases not even making a business call, employers can still be held liable if an accident involves a cell phone provided or permitted by the employer. Having a cell phone policy would be a wise choice.

The wrong hire

We've all done it. At least once....thinking that you have found the best candidate for the critical position in your company, only to learn a few months later that the new employee isn't quite the performer you thought.

a productive work discussion with each of your employees about their performance is critical.

It is a tough challenge in today's economy to hire and retain quality people and a comprehensive recruiting and screening process is time consuming and tiring. But not doing it will create more than lost time. You will be faced with lost productivity, lower morale, and additional expenses such as overtime and turnover costs. Take the time or perhaps outsource the project to assist you in finding the right candidate.

Not taking time to determine responsibilities and develop a position description can also easily contribute to hiring the wrong person. A job description provides objective criteria to measure which applicants are most qualified.

Not what you expected?

A new employee is hired...new ideas flourish and there is an eagerness to learn. Suddenly, enthusiasm wanes, and employee performance suffers. What happened? New employees are often 'thrown' into the job responsibilities; the sink-or-swim approach can be perilous. Untrained employees, especially those at the supervisor level, may make potentially costly mistakes. Without the proper orientation and on the job training, the motivation of a new employee dwindles.

That time of year

It's on your calendar. You planned ahead. But something came up. Actually, a few things did and then a few more. The annual employee evaluations are due. We all know that a productive work discussion with each of your employees about their performance is critical but reality is

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Costly Mistakes Contractors Make

BY DANIEL HAAG

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In today's highly competitive construction market, it is imperative for contractors to avoid costly mistakes. Many failed construction businesses can be traced back to one or two misguided business decisions. The following is a list of common issues to be aware of.

Errors in estimating and job costing

Inaccurate estimating and job costing can be devastating to a contractor. Experienced estimators and project managers are key. There are some things that can be done to help them do their job more effectively. Every contractor should have internal controls in place to catch clerical and administrative errors. Software packages are available to assist with the estimating process, and many contractors have achieved more accurate estimates when using them. After the completion of a job, actual costs should be compared to the budget and significant differences should be researched. As the old saying goes, those who don't learn from their mistakes are destined to repeat them.

Poor cash flow

Cash management is crucial to a construction project. Normally, labor and material costs greatly exceed cash income in the early stages of a contract. Some strategies to increase cash flow at the beginning of the contract are as follows:

- Pre-qualify the credit worthiness of the project owner
- Front load the bid quantities
- Negotiate a lower retainage
- Complete billings timely
- Include a skip payment clause in debt agreements
- Make the project manager accountable for cash collections
- Set up a reward system for the project manager to collect cash in a timely manner

Obtaining work outside of your home market

A new geographic area can present many new challenges. Conditions such as labor supply, subcontractor quality, suppliers, building codes, lien laws, permits, labor laws, tax rates, weather, and soil conditions vary widely between areas. Due to lack of experience in the new market, all elements of the contract need to be thoroughly researched, especially subcontractors. It is much more difficult to manage a project that is taking place a long distance away. If a contractor decides to enter into a new market, a small job should be selected first. A small project will allow the contractor to assess the profitability of the new market and decide whether to seek additional work there.

a growth rate of 20% per year or less is all a company can successfully handle.

Working outside of your niche

Diversifying projects seems like a great way to get through the ups and downs of the industry, but in reality, most construction projects are so specialized that it may be difficult. For example, most homebuilders would not have the expertise to successfully compete with commercial general contractors on a shopping center project. As a general rule, a contractor should stick with what they've had success with. If the decision is made to enter into a new type of project, start small. Small contracts provide experience while mistakes are less costly. Evaluate the budget and profitability after the completion of each contract. It may

turn out that the new type of project is not worth the extra cost and effort.

Uncontrolled growth

Growth is a goal of most contractors, but too much is counter productive. Runaway growth in contracts and sales stretches a company beyond its limits. Most of the time it forces the company to hire or promote inexperienced employees to keep up with demand for labor, which can result in substandard work quality. The accounting department of small contractors usually are not equipped to handle a sudden increase in sales, which may result in delayed and inaccurate financial information. Often, a target growth rate of 20% per year or less is all a company can successfully handle.

Dramatic increase in single job size

Large contracts seem like a great way to increase sales and profitability. However, large projects contain different challenges than smaller ones, and often carry much more risk. If a contractor decides to take on a much larger project, it may be wise to start out by working on a joint venture with another contractor that routinely completes larger contracts. Prior experience is invaluable for anticipating problems and resolving them. The preferred approach is to slowly increase the size of projects. A contractor who typically does \$1 million projects will often get into trouble trying to complete a \$25 million project.

The preceding guidelines won't replace the foundations of a successful contractor: high quality work, timely completion of contracts, good reputation with customers and suppliers, and attentive customer service. These guidelines are intended to help the fundamentally sound contractor continue to operate a successful business. 🌀

Another New Tax Bill?!

what's it all about?

BY JULIE BOGLE, JD
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The latest round of tax legislation, the 2007 Small Business Act, was signed into law by President Bush on May 25, 2007. Among other things, it contains extensions of and enhancements to current tax breaks for small businesses and an expansion of the kiddie tax to full-time students up to age 24.

Provisions affecting small businesses and individuals include:

Higher limits for Section 179 expensing. Under Internal Revenue Code Section 179, businesses are permitted to take an expense deduction for the purchase of certain property rather than having to capitalize it. The current expense limit of \$112,000 was scheduled to decline to \$25,000 after 2009, but now the limit has been raised to \$125,000 through 2010. Also, although the deduction began phasing out for businesses making more than \$450,000 in qualifying purchases annually, under the Small Business Act a business may now make qualifying purchases of \$500,000 before the deduction begins phasing out.

An extension of the Work Opportunity Credit through August 31, 2011, and an expanded class of applicable employees. This credit encourages employers to hire individuals from various economically challenged sectors, including those receiving public assistance, high-risk youth, ex-felons, and certain veterans. In addition, under the Small Business Act, the credit is doubled for hiring certain veterans with service-connected disabilities. Finally, the Work Opportunity Credit can now be used to offset alternative minimum tax.

Expansion of the FICA Tip Credit. An employer can claim a credit for FICA tax paid on certain tips received by

employees that serve or deliver food or beverages consumed on the employer's premises, if tipping is customary (generally, bar or restaurant employees). The credit is equal to the amount of FICA tax paid on tips that exceed tips treated as wages for purposes of the minimum wage requirements. With the rise in the federal minimum wage level, the availability of the Tip Credit would have been reduced. Under the Small Business Act, the Tip Credit will continue to be based on the old federal minimum wage level of \$5.15 per hour rather than on the new rate of \$7.25. In addition, the Tip Credit may now be used to offset alternative minimum tax.

S corporation reforms. There are a number of provisions that will impact S corporations, including changes in the treatment of passive investment income, changes in the treatment of a partial sale of a qualified S corporation subsidiary, and a provision that allows electing small business trusts to deduct interest paid on money borrowed to acquire S corporation stock.

Expansion of the kiddie tax to dependent children up to age 24. The kiddie tax imposes the parents' marginal tax rate on a dependent child's unearned income over a certain amount, generally \$1,700. Prior to the Small Business Act, the kiddie tax applied only to children under age 18. Now the tax will apply to all children under age 19 and students under age 24. This means college-age students will no longer be able to take advantage of lower tax rates when selling off appreciated investment accounts to cover tuition. The change is effective for tax years beginning after May 25, 2007 (therefore, it will first affect most taxpayers in 2008). ☺

that they can take time and are often times not pleasant to give. You give your employees ongoing feedback.... daily....weekly.... and monthly, like you should. Isn't that enough? Better not procrastinate. Your employees are waiting..... they know with the performance evaluation comes a raise!

Delegation... an excuse or a tool?

Delegation is a skill to be used either as an excuse for dumping failure onto your subordinates, or as a creative tool for motivating and training your team. Delegation allows your staff to use and develop their skills and knowledge to their full potential. Delegation is primarily about trusting your authority to others. This means that they can act and initiate independently; and that they assume responsibility with you for certain tasks. If something goes wrong, you remain responsible since you are the manager; the trick is to delegate in such a way that things get done but do not go (badly) wrong.

Failure to document termination

The most costly employment error. Is it retaining the wrong person? Allowing the right person to go or terminating inappropriately? It's a toss up, but certainly termination without the appropriate documentation can cost you thousands in legal fees. Using a termination checklist can assist you in a proactive way prior to the actual termination.

We often say that "our employees are our most important asset." But do we truly believe it, and more importantly, do we act as though they are? There are definite challenges to finding the right people, hiring them, and keeping them happy on the job. No one said managing was easy. It involves training, your time, your expertise, and some trial and error. ☺



2007 Wisconsin Family Business of the Year Award Winners Announced

BY KATY SMITH,
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On May 17, 2007, the fourth annual Wisconsin Family Business of the Year Awards were given to companies that represent a cross section of our economy and our geography. Three grand awards were given for companies in the small, medium, and large categories. Six special awards were given by the judges for companies excelling in a particular area.



From left: Eric Boelter, The Boelter Companies; Joseph Glorioso, Glorioso Brothers Company; Larry Konz, Konz Wood Products; Russ Martin, Great Lakes Custom Toll Manufacturing; Craig Kersemeier, K-Tech Kleening Systems; Ronald Bast, Riteway Bus Service; Bruce Thompson, Prairie Athletic Club; Amber Dean, Mocha Moment; Dave Chase, Chase Lumber and Fuel Company.

Receiving Grand Awards were: The Boelter Companies, Milwaukee, large company category; Great Lakes Custom Tool Manufacturing, Peshtigo, medium company category; Glorioso Brothers Company, Milwaukee, small company category. Special awards were given to: Chase Lumber and Fuel Company, Sun Prairie, "Three Century;" Konz Wood Products, Appleton, "Second Wind;" K-Tech Kleening Systems, Weston, "Good Neighbor;" Mocha Moment, Janesville, "Raving Fans;" Prairie Athletic Club, Sun Prairie, "Big Splash;" and Riteway Bus Service, Richfield, "50 Years: The Right Team on the Bus."

According to the Family Firm Institute, more than 80 percent of all business enterprises in North America are family-owned. Nearly 35 percent of Fortune 500 Companies are family firms. Family businesses account for 78 percent of all new job creations, 60 percent of the nation's employment, and 50 percent of the GDP.

Created by Smith & Gesteland to honor family businesses, the awards are given annually. DeWitt, Ross & Stevens and Associated Bank are co-sponsors of the award. Nomination forms will be available for the 2008 awards later this fall. Visit www.familybusinessaward.com for more information. &

The Need for an Estate Plan

BY DAGMAR BORYS, CPA
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An estate plan is a framework of legal documents that allows you to direct how and to whom your property will be distributed after your death. Are you too young to worry about estate planning? Is your nest egg not large enough? Everyone, without regard to their age or personal wealth, should have an estate plan. Here are a few compelling reasons why:

- An estate plan decides who inherits your assets.
- An estate plan allows you to choose an experience executor and/or trustee.
- If you have young children, an estate plan allows you to select a guardian in the unfortunate event neither parent survives.
- If any of your heirs include children, adults with special needs, or simply adults inexperienced in money management, an estate plan can ensure prudent management of their inheritance.
- If you own a family business, an estate plan can ensure an orderly continuance or sale of the business.
- Who will manage your assets if you become disabled and are no longer able to do so yourself? Who will manage your heirs' inheritance in the event they become disabled? An estate plan can provide for competent asset management (pre-selected by you) in such events.
- An estate plan can ensure you get the medical care you want.
- An estate plan can avoid probate (along with its costs and delays).
- An estate plan can minimize the tax burden.

Finally, estate planning is an ongoing process. The goals and complexity of a particular plan depend on the person's age, financial resources, family needs, and individual desires, all of which change with the passage of time. Further, federal and state estate laws continue to change. An estate plan must be regularly reviewed and updated in light of all the changing variables, to ensure it continues to meet a person's goals and needs. &

Don't Make a Problem Worse


BY MIKE STEINL, CPA
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In today's dynamic environment, businesses are faced every day with decisions on how to improve themselves. Often those decisions entail such things as adding product lines, adding or closing production facilities, or entering new market areas. In the process of making these decisions, a lot of time and effort is spent projecting the amount of resources that will need to be expended to make the decision successful. However, few consider an exit strategy if the venture isn't a success.

Often even the best laid plans can go awry as a result of forces beyond our control, such as changes in customer demand or changes in the economy. When



results aren't as good as planned, the typical responses are to do nothing and hope it will work itself out, invest more money to buy time, or replace the manager under the assumption that the problem is leadership. Usually this just results in making a bad situation worse.

A better approach is to set limits from the outset as to what will constitute success and stick to them without letting emotions take over. The status of the project should be reanalyzed periodically, but this shouldn't be used to justify continuing down a bad path. If the prospects of success don't look good, an exit plan should be implemented. This decision can often be difficult, but it can mean the difference between long term success and disaster. 

Mission: Not Impossible

How to write an effective mission statement

BY KATHY NELSON, CPA
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Effective organizations have a clear, purposeful mission. Their mission is spelled out clearly in its mission statement. Ineffective organizations either 1) do not have mission statements or 2) have statements that are too long, complex, or outdated. Oftentimes, an organization will write up a mission statement as a public relations ploy, failing to understand its usefulness for achieving the organization's exempt purpose.

Why adopt a mission statement?


A famous quote from Gandhi states, "A small body of determined spirits fired by an unquenchable faith in their mission can alter the course of history." A mission statement motivates. It gives the organization purpose and zeal to accomplish the goals at hand. Additionally, a clear mission statement can keep your organization focused on raising funds for its specific operations and eliminate wasteful spending that does not coincide with its underlying mission.

How to adopt a purposeful mission statement

Ideally, all levels of an organization should be involved in developing the mission statement. If this is not possible, all levels, including board members, management, staff, and volunteers, should understand and agree with the mission.

When developing a mission statement, make sure you can answer "yes" to the following questions:

- Does it identify the organization's purpose?
- Is it concise (no more than three sentences)?
- Does it avoid jargon and overly fancy wording?
- Is it realistic, attainable, and motivational to people inside and outside the organization?
- Does it include sufficient description that clearly separates the mission of the organization from other organizations?

Keep refining the mission statement until it best expresses the intentions of your organization. Upon completion, display the mission statement for all involved parties: staff, volunteers, board members, donors, and clients. 

a calendar of common federal tax deadlines for 2007 excluding payroll-related deadlines

September 17, 2007

- Pay the third estimated tax payment for individuals
- Deposit the third estimated tax payment for calendar year corporations
- File extended calendar year corporation returns

October 15, 2007

- File extended individual tax return
- File extended calendar year partnership return or extended trust or estate income tax return
- File extended gift tax return

October 31, 2007

- If you're an employer, report income tax withholding and FICA taxes for the third quarter of 2007

December 17, 2007

- Deposit the fourth estimated tax payment for calendar year corporations

January 15, 2008

- Pay the fourth quarter estimated tax payment for individuals

January 31, 2008

- All businesses must give annual information statements to recipients of certain payments made during 2007
- W-2 forms are due to employees

February 29, 2008

- All businesses must file information returns for certain payments made during 2007

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