



J. Boger Hessing
VP – Commercial Lending
4924 W. American Prairie Dr.
Peoria, IL 61559
bhessing@p-s-b.com
Office 309-693-9494
Cell 309-231-5881

“New Year, New Resolution”

One of the most common questions heard this time of year is, “What is your New Year’s Resolution?” Do you know anybody that makes annual resolutions? Are you one to make annual resolutions? The list of resolutions is endless and most often focus on the improvement of health, wealth, and/or happiness. If you are like me, you began the year reflecting on 2009 while making adjustments to the goals you established for 2010. The year 2009 was an interesting year for the small business community. Many business owners spent the year adjusting their operations to help better weather the economic storm that continues to impact our country. It is essential that business owners invest the time needed to plan for a successful 2010 as their health, wealth, and most importantly, happiness depends on it. Three important considerations when planning your business year are how to strengthen your balance sheet, improve your cash flow, and reduce operating expenses.

A great way to begin your review is by taking a look at your company balance sheet and identify areas that are in need of improvement. Begin by reviewing your accounts receivable and focus your efforts on converting them to cash. Collect payment quickly by implementing a merchant program as the vast majority of business to business transactions are settled using card based programs. Consider offering a discount as a preferred vendor as a way to encourage prompt payment. You may look to utilize third party assistance in converting aged receivables. This approach will help increase your conversion ratio of these aged relationships while enabling you to focus on other areas of your business. Review your inventory and equipment and sell what is no longer being effectively utilized especially those items that are collateralizing debt obligations. Sale proceeds will be directed to the reduction or retirement of the assigned liability. Re-evaluate your facility to determine if you have empty or underutilized space within the real estate you own and consider selling or relocating to a more economical space. The conversion of your non-productive space to cash will beef up your cash account and lead to better cash flow.

As you reshape your balance sheet, the measures mentioned above will also help improve your cash flow. Bolster your cash flow by implementing a deposit requirement at the time of sale or on service contracts. This will reduce your liability of carrying the entire cost of service during production or delivery. Closely monitor your turn of inventory and make adjustments when needed. You may find that you have too much capital tied up in your inventory. Utilize in house software to monitor your finances, create cash flow statements, and pay your bills on a systematic basis. These efforts will greatly improve your ability to predict future changes in cash flow. Establish a business line of credit to help you manage your cash flow when additional capital resources are required.

The beginning of the year is always a great time to review expenses. Take a good look at your vendor relationships and determine if you are receiving the best discounts available. Renegotiating your terms or choosing a preferred vendor may help you net a better discount and improve your bottom line. Determine if your vendors provide additional products/services that may be bundled with your existing relationship. If you take time to anticipate your annual purchase needs, you will be able to secure better pricing. Coordinate your spending and order in bulk or consolidate shipping when possible. Analyze your banking relationship to ensure your credit structure and interest expense are in line with your credit needs.

If you enter 2010 with a plan focused on the improvement of your financial health and increased wealth you will be a happier business owner come 2011.

Please feel free to contact me by email at bhessing@p-s-b.com or by phone at 309-693-9494.



142 East Main Street
P.O. Box 409
Princeville, IL 61559
(888) 385-4375

Shoppes at Grand Prairie
4924 West American Prairie Dr.
Peoria, IL 61615
(309) 693-9494

