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The CFOs for Small-Business

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NEWSLETTER

"The best way to spread Christmas cheer is singing loud for all to hear."
– Buddy the Elf

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U.S. NATIONAL DEBT AS OF:

December 2023

\$33,893,829,794,035

December 2022

\$31,419,699,744,912

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Brian Bach

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 **Set Big Goals & Measure Backwards to Appreciate Progress**

Every year, Entrepreneurs' Organization (EO) has a regional conference in the Midwest, and this year our local chapter hosted the event in Detroit. I attended the conference as a member, but our firm was also a sponsor (see our entertaining "booth" pics on p. 2). Over the 3 days there were many speakers, tours, and social events, winding up with the keynote speaker **Earvin "Magic" Johnson** - who apparently is very tall compared to me (again, see p.2).

Magic's talk was entertaining, recounting his evolution from his high school basketball career in Lansing, MI all the way to owning the Lakers, Commanders, and becoming a billionaire. (If you're interested, check out "**They Call Me Magic**" on Apple TV+ <https://bit.ly/3NhR07P>).

At one point during the keynote, Magic was describing his desire to have a private plane, and how he gathered his staff and shared this with them, knowing it wasn't achievable *tomorrow*, but asked the question: "**What do we have to start doing now to have a plane in three years?**" So they set the goal, took the necessary steps, and "Viola!" they had the plane in 3 years. A great reminder that **setting intentional goals matters**. Most of us know this, but are we really executing it?

Separately, I recently read **The Gap and The Gain**, a book by Dan Sullivan & Dr. Benjamin Hardy <https://gapandgainbook.com> and was so captivated, I finished it in three days. I'd highly recommend reading or listening to it for yourself, but the basic premise is that high achievers struggle with happiness because they're always chasing the next bigger goal and sometimes these goals are created from comparisons to other people or ideals, rather than what we actually want. Furthermore, we rarely pause to look backwards, and measure how far we've come. Rather, we're always measuring against the next goal, chasing the ever-elusive pot of gold at the end of the

rainbow. If we can just get there, *then we'll be happy*.



One of the exercises in the book is to look back 10 years, 3 years, and 1 year to see where you were then, compared to where you're at now, looking at things like: sales level, income level, relationships, quality of life, mindset, what you were worried about, etc. **Where were you then vs. where are you now?** In many cases, the growth/evolution is shocking when you actually take the time to measure it. This allows each of us to see the progress we've made, the struggles we've overcome, and the successes we've had, and it builds confidence for the next round of goals or challenges.

For me personally, this was incredibly eye-opening, humbling, and a "holy crap!" moment. I wrote a "**Big Hairy Audacious Goal**" (coined 'BHAG' by Jim Collins) **in 2009** with literally no idea how it would be achieved, and honestly, didn't give it much thought. I was more focused on annual goals, not some distant point in the future. But this year, we'll hit that 'BHAG' goal, and it hadn't really occurred to me until I went through this exercise. Wow.

Combining the 3 ideas— (a) set BIG goals, that are (b) important to YOU (not comparisons to others or ideals), and (c) pausing to measure progress backwards from where you came – is a powerful combination for both achievement and happiness.

As you work through business and personal goal setting for 2024, pause to measure backward and appreciate the progress you've made in order to confidently set new goals that you want.

From all of us at Michigan CFO Associates, we wish you a Merry Christmas, Happy Holidays, and a **blessed & prosperous 2024!**



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NEWSLETTER

Outsourced CFO & Controller Services Including:

-  TRENDSPOTTER™ Financial Statement Analysis
-  Cost & Profit Margin Analysis
-  Bank Financing Packages & Negotiations
-  Financial Projections
-  Cash Planning & Management



EO Xcentric Conference in Detroit!



Todd and NBA legend & entrepreneur, **Magic Johnson** after his inspiring keynote speech



Michigan CFO + KISS = CFOs who Rock!



Sitting at the mixing desk at **Jack White's Third Man Records**



The Michigan CFO Team, hard at work, strategizing even more ways to deliver exceptional results!



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Why Do We Need a Budget?

When we ask business owners if they have a budget, only about 1 in 10 say they have some kind of budget. When we ask the other 9 why they don't, the answer is often, "Why do we need a budget?" It's a fair statement, because if a business is doing well or hasn't used a budget in the past, the attitude is often, "Why do I need it?"

Often when people hear the word budget they think of restrictions and cost containment, but a properly prepared budget that is tracked and evaluated throughout the year offers much more. So, let's dive in and share why our CFOs put together an annual budget for each of our clients. We'll look at how it is used and the value it can bring to a business:

- **Financial Planning:** An annual budget allows businesses to plan and allocate resources effectively. It helps in estimating future revenues and expenses, enabling better financial planning for the upcoming year.
- **Goal Setting:** Budgeting helps set financial goals and objectives for the business. By clearly defining targets, it provides a roadmap for the company to work toward, fostering a sense of direction and purpose.
- **Resource Allocation:** Businesses can use the budgeting process to allocate resources. This includes assigning funds to different departments, projects, or capital improvements based on their priorities and expected returns.
- **Performance Evaluation:** A budget serves as a benchmark for evaluating the actual financial performance against the planned figures. This helps identify areas where the business is performing according to plan as well as areas that may need improvement. If you're off course, you can look for the root cause of the problem.
- **Decision Making:** Budgets provide a basis for making informed decisions. When faced with choices regarding expenditures, investments, or strategic initiatives, businesses can look at performance to date and base decisions that align with financial goals.
- **Cash Flow Management:** By forecasting revenues and expenses, businesses can better manage their cash flow. This is crucial for ensuring that there is enough liquidity to cover operating expenses and other financial obligations.
- **Communication and Collaboration:** The budgeting process involves various stakeholders within the organization. It encourages communication and collaboration among different departments, fostering a better understanding of financial goals and limitations.
- **Lender and Investor Confidence:** Having a well-defined budget can instill confidence in lenders and investors. It demonstrates that the business has a clear understanding of its financial position and is actively managing its resources and operations.
- **Continuous Improvement:** Regularly revisiting and updating the budget, or having a flexible budget allows businesses to adapt to changing economic conditions, industry trends, and internal factors. This promotes a culture of continuous improvement and adaptability.

As CFOs, we encourage all businesses to establish an annual budget because we know from experience that it works! When a budget is properly developed and tracked against actual performance throughout the year, it can keep a business moving forward in achieving results. It can be a valuable tool that helps businesses plan and manage their finances, while also supporting strategic decision-making and fostering overall financial health.

Podcast Alert!

Seeking strategies to shield your business from the **risks of embezzlement** while fortifying your profits?

Tune in to Duct Tape Marketing's **Podcast** with special guest, **Todd Rammler!**

<https://bit.ly/41ip8Gr>

