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eBook

How to Succeed in 2022: The Small-Business Owner's Playbook



This playbook provides a small-business growth plan for 2022, tackling issues from retaining talent to managing rising inflation and developing a succession plan.



About the Author

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Introduction

2020? OK, let's try and forget about that year, shall we?

As I'm writing this, we're already heading into the twilight of 2021. This was supposed to be the year of recovery. This was going to be the time when businesses rebounded from what was arguably the greatest of all great economic downturns caused by a worldwide global pandemic and roar back to success and profitability.

Except that didn't entirely happen in 2021.

Instead, the pandemic continued in fits and starts. Cases went up, then down, then up, then down. New variants appeared. Businesses operated under the shadow of more potential restrictions and lockdowns. For the most part, a full recovery was never realized. GDP jumped up, then receded. Other challenges emerged. And the threat of the virus, and other factors, put a big restraint on that economic boom that so many small businesses were waiting for.

You probably experienced this in your business. If you're in retail or the restaurant industry you likely didn't see the return of customers that you had hoped. Other industries have struggled under supply chain issues, rising prices and lack of workers to get products and services out the door. So although 2021 was certainly better than 2020 for most small and mid-sized firms, it still wasn't as great as we hoped it would be.

No one can predict how 2022 will be. But most indications tell me that—barring any unforeseen circumstances—the recovery will continue and hopefully pick up the pace. But there are still significant challenges for many small firms.

For my best and most profitable clients, 2021 is in the books. They've already set their sights on building for 2022...and the years after that. They're pivoting, innovating and making investments in what they think will be the future. They're looking around at what's going on in the world and making decisions now that will impact their businesses over the next few years.

This eBook is about the plans that four business owners I know are making for 2022. And they're focusing on four main areas: **navigating through inflation, battling for talent, doubling down on technology and planning for succession.** This is the playbook for 2022 for most business owners in the U.S.

In this book, I'm going to tell stories of business owners I personally know (although I'm changing their identities). I'm going to explain how they're preparing for the next year. Yes, some may be in different industries than yours, or the size and nature of their businesses may not be exactly the same. But the issues are the same ones you're facing. We're all dealing with them. So what you and I can learn from smart and experienced leaders will benefit our businesses, regardless of the business we're in.

Let's find out what's in their 2022 playbook.



Jones Distribution Is Navigating Through Inflation

One thing's for sure: the rise in prices that we saw in 2021 is going to continue well into 2022. There are many reasons why.

At the core of the problem are supply chain issues. Throughout the fall of 2021, hundreds of ships bearing goods from Asia and other parts of the world were stacked up outside of California ports, waiting to unload. COVID interrupted production in many areas. Shipping restrictions hindered product flow. Workers needed to unload and transport goods were in short supply. All of this has restricted supply and increased prices. This situation will take months to resolve. Most of the business owners I speak to expect the problems to go well into 2022.

As a result of these supply chain issues, both producer and consumer prices have been running at more than three times their normal levels and are expected to stay at those levels for the coming months.

But it's not just the supply chain. Thanks to the quick actions by both the U.S. Treasury and Federal Reserve as COVID shut down our economy in 2020, trillions of dollars were set aside for bank liquidity. Many trillions more have been earmarked for stimulus payments and other forms of government spending. But now there's a problem: that money needs to somehow find its way into the system, and if there's too much of it floating around, that will cause inflation.

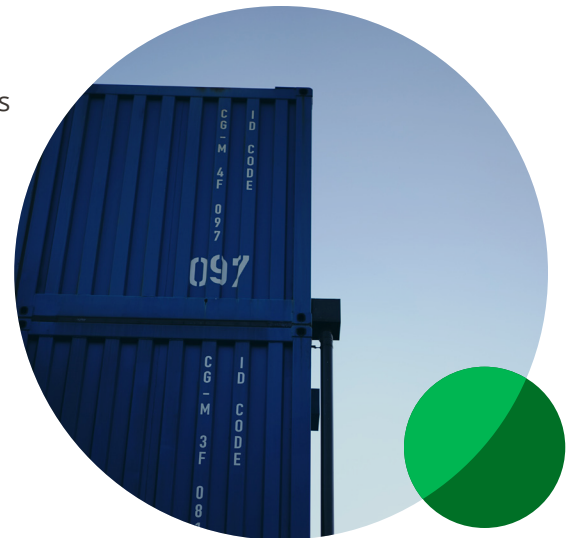
So what can Robert Jones do? What can you do?

Robert is the CEO of an equipment parts distribution business in Illinois. He's got 75 employees and, like so many other businesses, he's battling inventory shortages and cost increases. He knows these problems won't be answered anytime soon. Which is why cost controls will be a big part of his 2022 playbook.

**"There's no silver bullet," he told me.
"I'm doing a number of things."**

Robert is, of course, raising prices. But he's doing so by leveraging his customer relationship management (CRM) and communication systems to ensure that he is regularly communicating these increases and expectations with his customers in order to mitigate their concerns. He's also revisiting his prices and, in some cases, adjusting the quantities and services delivered downward while keeping price levels consistent. That's called "shrinkflation," and it's a tactic long used by big consumer brands.

Robert is locking down long-term contracts where he can. He's talking to suppliers and asking them to firm prices. He's putting together long-term employment agreements with key (and higher-paid) employees. He's renegotiating leases and rents. And he's converting short-term debt to long-term debt.





None of these actions is actually saving him money. In fact, some are requiring him to make commitments and upfront payments, and even incur higher interest rates. But all of these actions are serving one significant purpose: they're reducing uncertainty. They're minimizing cost disruptions so he can focus on other areas of his business. Smart business owners like Robert try to limit their surprises. Robert can deal with cost increases as long as he knows what they are and when they'll occur.

This is all part of his 2022 playbook. But that's not all.

Like many smart business people, Robert is also a buyer. No, not of GameStop or Bitcoin. He's buying up what he knows best: inventory. He's scavenging and paying and hoarding parts as soon as they become available. He's clearing out space to store as much as he can. Why? Because he knows that in inflationary times the best tactic is to buy low and sell higher. Property and equipment too, as these types of purchases tend to stay current with inflation.

Where's the money coming from? Financing. Robert's got pretty good credit. But he's also got something else: knowledge of SBA loans. **"I've done them before, and they're great," he says.** The Small Business Administration has two great loan programs—Section 7(A) and 504 microloans—where business owners like Robert can borrow up to \$5 million and use that money for working capital, inventory, property and equipment.

This is the top priority in Robert's playbook for 2022. To keep ahead of inflation, he'll make sure to keep ahead of his communications with customers. He'll keep his prices on the rise and fiddle with quantities and services delivered where he can. He'll lock in long-term agreements and he'll be buying inventory, property and equipment. His financing will come from SBA loans.

Like he said, there's no silver bullet. But there are a lot of tactics that mitigate the rising prices that we'll see next year.

Takeaways:

- Increase prices where you can
- Communicate frequently with your customers
- Lock in long-term agreements
- Buy inventory, property and equipment
- Leverage government financing

Anthony Landscaping Will Battle for Talent

Anthony has been in the landscaping business for more than 20 years. And he's never seen a labor shortage this bad.

"Even in our busiest times we were always able to find help," he says. "But nowadays it's really, really tough."

The landscaping business is very labor intensive. Anthony company does high-end work for wealthier customers. He designs gardens and flower beds and vast lawns. He needs a team of creative people to do this. And he also needs a team of hard-working laborers to carry out the plans. Anthony has managed to retain many good people. But he's always looking for more. So are his competitors. All companies—big and small—are vying for a short supply of workers. So Anthony gearing up for battle.

Like Robert, Anthony is dealing with rising prices. But number one in his playbook for 2022 is attracting and retaining good people. His plans?

For starters, he's budgeting to pay more. Why? Because, simply put, when there's a short supply of something in high demand, then the price of that thing goes up. That's what we'll be seeing next year. Hourly wages have been increasing at a five percent rate throughout 2021 and are expected to stay at those levels—maybe even more—in 2022. Service industry businesses like Anthony are reportedly paying even twice that for new employees.

Minimum wages in Anthony state are going up towards \$15 an hour, and even the federal government has been considering an increase from the current \$7.25 per hour rate. Overtime wages are expected to rise in the near future as the Labor Department considers a bump in the exempt rate.

"I can't pay my people like I did only a few years ago," Anthony concedes. "They have to keep up with inflation. I have to consider that." He'll make sure his compensation is competitive, and if he has to pass these increases to his customers then he will. That will help his 2022 hiring plans.

But where will he find his people? Many studies have shown that the best place to find new employees is to ask your current ones. Anthony will also be looking online at the popular sites like LinkedIn, CareerBuilder, Monster and ZipRecruiter. "I'm also keeping close with a few of the churches in my area," he says because many faith-based organizations can be a resource for potential employees. Another thing he likes to do is simple canvassing.





“Sometimes I see a worker in a store or restaurant who has energy and a great attitude, and when that happens I offer jobs,” he says. “I can teach them my business, but I can’t teach them how to be a great employee.”

All of these tactics will be part of his 2022 playbook. But he won’t stop at simply paying more. Anthony also looking into expanding his benefits both for keeping his current employees happy and attracting new ones.

For example, he’ll be adding Health Savings Accounts to his healthcare plan so employees can put money away pre-tax for unreimbursed healthcare expenses. He (finally) plans to set up a 401(K) retirement plan for his employees and leverage tax credits to help pay for it. He’ll expand the ability to work from home for those employees who can. And for the hourly workers out on the job he plans to implement “same-day pay” with his payroll service so that employees can get half of their pay the day they perform the work with the remainder at the end of the pay period.

“Same-day pay will be big for me,” Anthony says. “It will make me pay closer attention to my cash flow, but it will also be an attractive benefit for new employees.”

I think he’ll be fine—he’s done a good job at managing his cash flow, so he can afford it. And by doing so he can offer this type of benefit when he knows that many of his competitors can’t.

“That’s a pretty attractive thing for many.”

Anthony also going to help his younger employees with their student loans, and he’s even considering letting his office people bring their dogs to the office. Amazon has more than 6,000 dogs registered for their employees to bring to work. As pet ownership has exploded during the pandemic, many employees will feel more comfortable coming back to work if they can bring their dog along. “At the very least, I’m going to try to help with pet insurance,” Anthony says.

One other thing that's in Anthony 2022 playbook: hiring a consultant. He's now up to more than 80 employees, both hourly and salary, and his office manager (who serves as his HR manager) can't keep up with all the workplace changes. Anthony going to invest \$10K in an experienced HR consultant to review all of his policies, create an employee handbook and ensure that he's addressing discrimination, harassment, drug use, bullying and all the other important workplace issues that need to be considered.

“I want my company to be a good place to work,” he says.

As I write this, there are about 10 million unfilled jobs in the U.S. But employees will be coming back. Stimulus and other benefits are ending. People need to pay their rents and mortgages. Health concerns will dissipate. But the workplace is different now. Employees will be looking to work for companies that care and that compensate them based on their fair value. They will look for workplaces where they feel safe and enjoy being with others. They will want flexibility and independence.

Already, employers like Anthony are addressing these concerns as part of their 2022 playbook. Because they know—as they've always known—that their people have always been and will continue to be their greatest asset.



Takeaways:

- Budget to pay more
- Revisit all your benefits
- Hire an outside HR consultant

Sharon Is Doubling Down On Technology

Sharon's business has always been old school. But that's soon about to change. In 2022, Sharon is going to be investing in technology. Lots of it.

Why? Because in this era of rising prices and labor costs, the companies that leverage technology will maximize productivity while keeping control of their overhead. Sharon knows this. And now she's got the opportunity to see it happen.

Sharon's company installs sprinkler systems in buildings and residences. It's a good business that exists because her state (Florida) like many states requires buildings to have updated sprinkler systems to ward off fires and other hazards. Like Anthony and Robert, she's dealing with rising prices and a shortage of labor. She appreciates that she has to pay people more. But she's also looking to keep payroll levels as low as they can be. Which is why her 2022 playbook will have technology as the priority.

Sharon took the business over from her parents only two years ago, and to her "it was like inheriting something from the '70s." Lots of manual stuff. Lots of old-school ways of doing things. "It worked well for them," she says. "But it's time to move ahead."

Sharon has put money aside and arranged for some financing for technologies. She knows she won't get it all done in 2022. This is part of a multi-year plan.

She'll start with her in-house servers and network. "Gone!" she promises. Sharon will move her older software, file systems and databases to the cloud. She'll be working with **Right Networks**, a managed services provider, to take over her QuickBooks desktop system and a few other applications. Right Networks will ensure that these systems are always up and running, secured and accessible to her and her employees whenever needed. Once done, she'll have no more in-house servers and her people will be able to work from anywhere and at any time.

"That will make it easier for my people to work from home, on the road at our customer sites," she says. "We'll save significant time and effort, and get rid of most of our manual paperwork that way." This will be her big 2022 investment. But others are planned.

I wrote earlier about the importance of using a CRM system for regularly communicating with customers, and Sharon gets it. This coming year, she wants to double-down on her customer relationship management system. For years she's struggled with multiple databases, spreadsheets and files, none of which work together. Tasks and follow-ups, bids and estimates, sometimes fall through the cracks, causing lost revenues and profits. Information about customers has been on different islands and not shared by the people who need to see it. Her data is everywhere. That will change in 2022.





In 2022, Sharon will upgrade to a cloud-based CRM system. That way things won't be lost in the shuffle, and everyone will be on the same page. Her email and calendar systems will integrate with her database, and that database will hold everything needed about her entire community—customers, prospects, vendors and partners. She'll invest in training and administration to ensure the database is complete and accurate and provides a long-term value for her company. "CRM will be a big focus for me this year," she promises.

Another crucial technology initiative will be investing in an information technology (IT) firm next year. Because even though Right Networks will ensure that the data stored in their cloud is secure, she needs to take another step to prohibit unauthorized people from getting access to the data stored on her devices. Her employees are working remotely and using tablets, laptops and smartphones. All of these are vulnerable to malware attacks that steal passwords and gain entry into her systems, which increases the threat of her company being shut down from ransomware or losing customer data.

Her IT firm will be monitoring all of her employees to ensure that they're not only running the most recent antivirus applications but also updated versions of their devices' operating systems, be it Windows, iOS or Android. They'll check on backups and provide regular training so that employees can identify potential phishing scams and other messages that may dupe them into giving up proprietary information.

Those are the three big technology items in Sharon's 2022 playbook. But they're certainly not the only items that she wants to change. She's already thinking of 2023 and 2024, where she'll implement cloud-based project and invoice management, as well as a new human resources platform. She also wants to make sure she's taking full advantage of the latest artificial intelligence and workflow automation features in the applications she owns so that she's relying on technology instead of people to do repetitive or low-level tasks like re-ordering products, paying vendors and updating customers. All of this will keep her people productive and her overhead under control.

Takeaways:

- Move your **data to the cloud**
- Find a reputable, **trusted managed services provider**
- Have your IT firm monitor remote employees and train them to minimize security issues
- Invest in a CRM system for better communications and engagement

Andy Is Planning for Succession

According to research from the Small Business Administration, more than 50 percent of small-business owners in this country are over the age of 55. And other research reports say that the average age of small-business owners could be as much as 60 years old. That's getting up there!

A long-time client of mine, Andy, is in that situation. He's 56 years old, and he runs a plastics manufacturing firm with his two brothers, who are also near in age. In 2022, a big part of their playbook is succession planning.

"We've all got kids that may want to come into the business at some point," Andy says. "And we haven't really prepared for that. It's time to think of the future." Actually, it's well past time.

That's because succession planning isn't just for older business owners. It should really be on the minds of all business owners. Even if you're in your 30s or 40s, shouldn't you be thinking about the future? Your exit? The next stage? Where are you going with your business? As you grow this valuable asset, what will be done about it?

Andy recognizes he's doing this later than he should have. But he's not alone. Most of my older clients haven't really thought all of this through. But they should. If succession planning isn't part of your 2022 playbook then it should be. So what should you do?

Here are the five things Andy is doing:

- 1. He and his brothers are meeting with an estate attorney.** This attorney will formalize their wills and even set up trusts so that their assets—both business and personal—will be directed to an outside entity that can be used as a vehicle to pass down to their kids. Trusts have tax-savings potential too. But they're more of a way to protect assets from potential liabilities and provide a road map for how assets are to be handled if the owner is no longer around to make decisions.
- 2. His company is changing its corporate bylaws.** This will create a formal board of directors that will not only be required to meet regularly but will have the power to setup a subcommittee that can include outsiders who then setup rules and guidelines for future family members who want to enter the business. Having outsiders involved won't interfere with the owners' control of their business. But it will provide external and objective guidance as to how nepotism-related issues can be handled. The subcommittee will determine rules, qualifications of employment of owners and/or owner spouses. They'll make recommendations on family employment and outside work experience the company should require before a family member



can work there. They'll also conduct independent interviews with family members in order to make recommendations to the owners. This keeps the owners at arm's length.

- 3. Andy is getting his documents together.** He's already talked to his accounting manager and set a goal for 2022 of getting all corporate documents—tax returns, articles of incorporation, lease agreements, bank contracts, etc.—and uploading them to a secure online drive. That way these documents are readily accessible by people who have permission and can be used to show any potential buyers in the future.
- 4. Andy and his brothers are revisiting their buy-sell agreement.** It hasn't been updated in years. They're discussing when a buy-sell event is triggered, making sure shareholders have a first option to buy out others, and working out how valuations would be done, what insurance is needed, what determines a partner liability, how payouts are done to sellers, whether or not there should be non-competes and if consulting services are allowed, and who's responsible for taxes. Buy-sell agreements are critical for when there are multiple partners are involved. It's a written set of instructions for when a partner voluntarily or involuntarily sells shares in the company, and it's designed to protect the other partners.
- 5. Finally, Andy is determined to get his house in order during 2022.** He will create a formal organization chart and job descriptions. Most importantly, he will address what has become an essential part of how a potential investor values a business: his data. Andy is moving his data to a managed services provider like Right Networks where that information will be secured, accessible and backed up. He will be upgrading his technology and cloud-based applications. "We live in a big-data world," Andy says. "I know that for sure. And I want to make sure my company's data increases our overall value."

Once this stuff is done—and it will take all year to do it—Andy is considering bringing in an appraiser to put a value on his business. He may also invite in a business broker or two to get some advice on what he should be doing to up his company's value. He doesn't plan to sell his business for a while yet. But as we've all learned, life goes fast. And sometimes can't be controlled.

"I want to have a plan for succession," Andy says. "And I'm going to make sure we've got that plan in place by the end of next year."

Takeaways:

- Visit an estate attorney and get your documents in order
- Move corporate documents to an online provider
- Create or update your buy-sell agreement
- Put a family succession plan in place

Conclusion

Four business owners. Four game plans. But they're not all independent. Every business owner's game plan will have priorities.

Sure, Andy's priority is succession planning, but he's in the plastics manufacturing business, so you can bet he'll be addressing inflation, employees and tech. Same for Sharon, Anthony and Robert. Of course, they all have their priorities, and so should you. But all of these issues I've reported on here are issues that will be impacting every small-business owner in 2022, which means that your game plan should be addressing them too.

The year 2022 will be a much better year than 2021 and certainly better than 2020. Maybe I'm just saying that as a glass-half-full person. But, looking at the data and barring any significant unforeseen circumstance, I feel confident in that prediction. Of course, 2022 won't be without its challenges, which is why my smartest clients are making inflation, labor, technology and succession planning the core components of their game plan for next year. And so should you.

