

PROFIT

PROFIT!
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VIDEO
TRANSCRIPT
SIX



COACHING ACADEMY SPECIALIST
Where Small Businesses Grow

Video Transcript Six

Profit! Profit!

We're going to talk about profit.

Many people will say, "That's what it's all about". And sure, it's critically important that we have a focus on making a profit and indeed on a specific profit.

It's also terribly important that, with the objective of making a profit, that we've decided what we're going to do with that profit. Having decided what we're going to do with that profit, we should then announce it to all those involved, the shareholders and indeed the staff. And there's nothing wrong with the customers knowing that we make a profit. It's not vulgar, it's not something to be ashamed of, it's not something to sweep under the carpet. It's a responsible part of any growing business that they're investing back in that business.

A key aspect of making a profit is that you decide what you're going to do with it.

Almost certainly, for a growing and successful business the owners will decide to reinvest that profit back into the business. They will tell their staff, their shareholders, their suppliers and their bankers, exactly what they're going to do with it, and then go ahead and do just that.

So that's not too complicated. What we're now going to look at is the situation, when maybe the company gets into difficulty and making a profit is hard work, and in fact, they're making a loss.

Not making a profit should never come as a shock or a surprise.

You should never have a situation where your accountants are the ones who are breaking the news to you. That's ridiculous and it's too late, far too late. You should know exactly how your business is doing at any one time.

The greatest business owners I know and the most successful, are those who are decisive; they make decisions quickly.

So they're facing a situation or are in a situation where they're making a loss. And a loss – it's not complicated. It means that when you subtract your expenses from your sales, you've got nothing left over. In fact, you're short. And you have to do something about it.

Lighting candles and hoping for the best – will not fix it.

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And what do you have to do?

Well, the reality is that you either increase sales or you cut expenses or you do some of each. But to go home and hope for the best is not a good idea. So we have to decide to either increase sales, cut expenses, or do a bit of each, but you must make a definite decision.

When it comes to increasing sales, you must have a strategy, you must have a plan, you must definitely have to do something different from what you did last month because – or else it's just hoping for the best.

From time to time, I'll see companies and they'll say, "Okay, we need to cut expenses." And when it says "cut expenses," it's because they don't know how to increase sales. And to cut expenses, they will look at the simple things. They'll look at cutting down the cost of paper, the cost of phone calls, the cost of material things.

They will look at things that they buy, but the reality is they're fudging and procrastinating. They're putting off the big decisions. And if you look down at your list of all your expenses, you'll find paperclips is not top of the list.

What'll be top of the list? Payroll. You go look at payroll and decide on making the big decisions.

And so from time to time I'll see companies and they will decide, "Maybe what I ought to do here is cut some of the payroll for the guys in the production area, maybe we can part with one of them or two to them, maybe in administration we can part with one or two, maybe in production we can part with one or two and maybe save some money."

Why not look at the manager and look at the costs there?

And you'll often find that the manager's salary and expenses is maybe three, four, five times that of the person who's really working and getting things done.

You should consider, Are they productive? Now, whilst they might be reliable, they might be honest, and they might be hardworking, they might be totally loyal, but are they effective?

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I see big, successful business owners refraining from making that decision because it is too difficult.

They don't know how to go to the employee in the corner who's been with the company for ten or fifteen years and say, "I'm sorry, we have to say goodbye." And the employee immediately says, "What have I done wrong?" And you have to look them in the eye and say, "Nothing. I'm sorry, but the business's expenses are greater than sales and we have to say goodbye to some staff."

That's a very difficult decision. The day you don't care, you don't deserve to be in business. But you do need to be able to make those decisions, be decisive.

It's so easy to procrastinate on this decision on the basis that it is so easy to argue "But when business picks up, we'll need these staff." And I understand that and I accept that. But for the business to pick up, you need the business to be in a healthy state.

So in terms of profit, we acknowledge and agree that you need a profit for the business to grow. It's also terribly important when you're in difficult times, when it looks like you're making a loss, it's important to survive.

So making a profit is not vulgar, it's not selfish, it's not being greedy; it's critical to the success of your business that you're clearly focused on making a profit.

**DON'T FORGET TO WATCH THE "PROFIT!
PROFIT!" VIDEO.**