

Profits ARE AFFECTED BY Your EYES (Part I)

I started off this year looking at profitability and how what's between our ears affects that. But profits are affected by our eyes, as well. The things we focus on in our businesses also contribute to the profitability of our companies. Here's one example.

People. Do you have an unhealthy focus on the people in your business? If so, you might make business decisions based on the impact those decisions will have on the way your people will feel about those decisions rather than on your bottom line.

Too often in my own career I've compromised the fiscal health of my businesses by falling victim to this scenario. I'd overlook an employee's marginal or even poor performance telling myself, "At least they're trying." I'd drag my feet confronting an employee's disruptive or counterproductive behavior because at least they showed up every day on time. So I'd continually re-learn the same two lessons... 1) these situations never resolve themselves, and 2) they rarely work out long term.

Do you keep people on the payroll out of a sense of loyalty or guilt? Business owners do this all the time. But, what about all the other people whose wages, pay raises, or bonuses might be affected by this financial drain? Imagine telling a brand new employee the reason their starting salary isn't higher is because you have people on board who aren't carrying their own weight, but who have to be paid anyway. You'd love to fire the non-performers and free up more money for raises, but they've been so loyal over the years, you don't know where they could find another job making the same good money, and you just can't look them in the eye and tell them they're fired. How do you think the new hire would respond? Yet, business owners do this all the time!

Now imagine how this decision gets muddied up when the non-performer is a family member! Parents award jobs and overly generous compensation to children who are simply not qualified to perform their jobs. Children support parents by giving them token jobs and awarding them perks the company can't afford. Now, before you drive to Ohio to burn down my house because you think I'm anti-family, please hear me out. I'm all in favor of using your business to provide opportunities to family members. Done correctly, this can be very rewarding both emotionally and financially for all parties concerned. But nobody wins long term when you drain the company treasury to support non-performing people...no matter who they are. (But it certainly can be a subconscious way to continue to live out the money lessons we learned as children—especially when those money lessons were delivered with a hefty dose of guilt.)

So, how is it at your company? Are there people on board who really shouldn't be? Look deep inside yourself. Could one of the reasons you continue to keep these people on board be that it's easier for you to complain about their poor performance and low profitability of the company than it is to confront the situation?

Are the decisions you make in your business made with the best interest of the entire company in mind? Or, are they driven by the interests of just a few long-term employees or family members?