

Profits ARE AFFECTED BY Your EYES (Part II)

The things we focus on in our businesses are contributing factors to the profitability of our companies. Earlier I described what happens when our focus is on people. Now, we'll look at other things that can draw our eyes away from, or drive us toward, profitability.

Process. Do you have an unbalanced focus on process? In other words, is your focus on *how* you do your work rather than on *how profitably* you do your work? Are your business decisions driven by the need to produce an unrealistic level of quality at the expense of profit? We all want to have deliriously happy customers who refer us to their friends. But, if it costs us \$200 to generate \$150 in revenue, our company won't be around to take care of all the referrals we get. Please don't misunderstand me. I'm all in favor of producing a high-quality product, but not at the expense of profit. The business landscape is littered with burned-out owners and dead companies that had really great products but weren't making any money.

It isn't just production or quality issues that owners obsess over. Some guys will hyper-focus on ads or direct-mail pieces in the hope of getting a 1% greater response to their solicitation. But, what if they're spending 5% more on advertising and 50% more of their time to get this 1% increase in response? What's the net return on that effort? Sometimes the increased response comes by providing services or gaining customers that are unprofitable to begin with. So, if we actually succeed, we're going to end up performing unprofitable services for customers we don't even want! Give me a break. If you're a multi-national corporation with billions of dollars in sales, a one- or two-percent increase in response might make sense. But, it doesn't make sense for most small businesses...especially when it consumes the precious time of the

owner.

Profits. Do you have a proper focus on profits and cash flow? Some people have the misguided notion that focusing on these financial measures means you have to be cold-hearted to your people or offer inferior products. Well, go tell that to any of the companies Jim Collins profiles in his books *Built to Last* and *Good to Great*, or to any of the several clients I'm privileged to work with. Nothing could be further from the truth.

In fact, focusing on the bottom line forces you to reward and develop competent staff because in today's economy you can't sustain profitable growth with cheap labor. The high cost of employee churn outweighs any short-term benefit cheap labor may bring. And, a profitability focus forces companies to offer higher quality products than their competitors because if they don't, their customers will take their business elsewhere.

So, in a nutshell, place the focus in your business where it ought to be—on the bottom line. And let your business decisions be guided and the performance of your products, systems, and people be measured by how they will impact your bottom line.