

Five Tips to Increase the Profitability of Your Business – How to design your business for predictable and consistent profit

by Eric Gregory

The goal of every business and its owners is to create consistent, predictable and controllable profit, year in and year out. Sure, you might like to have some fun along the way and feel a sense of satisfaction from what you do; however, if your business doesn't provide a return on investment above and beyond your salary in the form of profit, what you've really done is built yourself a job as opposed to a company, which is probably not why you originally went into business in the first place.

Thankfully, there are some key disciplines and strategies to ensure your business consistently produces your desired profit levels, rewarding you for all the time and effort you have invested, giving you more than just a salary.

1. Clarity on your Personal and Business Goals

Having successfully coached businesses for over ten years now, the number one issue I come across is a lack of crystal clear personal and business goals. Specifically, I am talking about three areas:

- a) desired ongoing wage required to match their yearly lifestyle goals;
- b) profit required to facilitate both re-investment into their business and

- investment in additional assets for wealth creation; and
- c) the time to realise and live the lifestyle they desire.

Strategy/Discipline #1: Get very clear on what your personal time and money goals are. Then quantify what your wage, annual profits and required amount of time in the business need to be to make those goals a reality.

2. Creating a viable Business Model

Ensuring you create a business model that does not rely too heavily on either your own time or other highly specialised employees is a critical step in growing your business to the level you need in order to achieve your goals. Too many SME business owners don't spend sufficient time on this task. Remember, if you are making your money from service professionals such as Drafters or Designers, the margin associated with each professional is finite. There will also be a natural point of capacity based on total 'billable hours' or total work that one individual can produce in a year. Your margins are not exponential, so if you want to grow, you'll need to keep adding employees.

Strategy/Discipline #2: Be realistic with your estimations of what one 'typical' or 'average' employee, whose services you sell, can produce. Be realistic on how difficult it will be to find these types of professionals and at what cost. Then begin to build your business model around those variables, as they will most likely be some of your toughest ongoing challenges.

3. Understanding and Maximising Capacity Points

Understanding what your realistic capacity points are at varying stages is critical to ensuring profit. Imagine that you took all of your resources currently in your business (what you have budgeted) and tipped them onto a table. What you're doing is mentally creating an image of the tools you have at your disposal to run all facets of your business. Your profit capacity is dependent on how many sales you can make with those resources, what your margins are, and what the cost of your resources are; what's left is profit. Not enough sales? You'll need to increase sales or reduce expenses without affecting resources. Enough sales but not enough profit? You'll need to increase margins or reduce expenses. This balancing act is the art of making profit; too many business owners try to grow before mastering this

concept, and too often it catches up with them.

Strategy/Discipline #3: Prove the math of your capacity. With the resources you have, current margins and fixed expenses, ensure that you have no constraints in your business model and can achieve all of the required outcomes. And don't grow until you master that level of profit. When you do aim for new growth, do the same exercise each time.

4. Creating Habits of 'Customary Business Practices'

Customary Business Practices are part of what I call your 'Strategic Management Process'. It is as simple as quantifying the outcomes you need, the targets and activities associated with achieving those outcomes, and then finally having the discipline to very regularly capture and review your targets versus actuals in all of your businesses critical areas.

Strategy/Discipline #4: a) Capture Info b) Create Reports c) Meet with the people accountable d) Analyse Info e) Decide what's needed f) Act on those decisions. Creating this habit structure is vital regardless of your current business size. The saying 'you can't manage what you don't measure' is spot on.

5. Continual Entrepreneurial/Leadership Improvement and Education

Your business will never grow past your own current entrepreneurial skillset. If you want to grow your business, and do so profitably, you must stay ahead of your business. Continual learning is non-negotiable. Why? As your business grows, it requires more skills due to the complexities and challenges presented by that growth.

Strategy/Discipline #5: You may still be working in your business, but regardless of the size of your business, make the time to continually educate yourself, lead your people and to look at your business strategy and work on your business. After all, if you don't know what's important right now, then what's important right now is to work out what's important right now.

Eric J. Gregory is the Author of 'Would you like Profits with that?' and the founder of Gregory Business & Trades Coaching which specialises in working with SME Business Owners and Entrepreneurs. For more information about Eric and his company, go to <http://www.gregorybusinesscoaching.com>

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- Avoid using clichés and overused vocabulary unless they actually add to the understanding of the project.
- Make sure that your text relates to your photographic submission – text and photographs should work together to provide as much information as possible within the allowable limits.

Of course be sure to spell check, keep to word lengths, and submit all materials requested. It's amazing how many entrants fail to follow these basic rules. Observing them will get you to first base. But to go the distance requires an eye-catching project brought to life by a compelling story and some genuine points of difference.

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