

Nido Qubein

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WAYS TO
MANAGE FOR
MAXIMUM
PROFITS

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in a Quick 5-Minute Read!**

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Ways to Manage for Maximum Profits

Nido Qubein

(336) 889-3010 • www.nidoqubein.com

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Introduction

Many of the most brilliant and capable professionals are anything but successful—some even end up having serious financial problems.

It's not that they don't work hard. In many cases they work too hard. The problem is they fail to manage the fruits of their labors effectively and let their profits slip away.

One of the real challenges of running a professional organization as a business is to make sure that you leave each year with a larger equity in your business.

So, how can you manage your profession to keep more of what you take in, and keep building larger equity? Let's look at six tested and proven business strategies that work for professionals:

Strategy 1:

Watch Both the Macro and the Micro Dimensions of All Transactions

Watching the macro dimensions has to do with managing the big picture of your professional organization.

It includes such activities as:

- Staying in touch with your career vision and long term goals.
- Monitoring your overall progress to make sure you are achieving your objectives in all areas.
- Managing your client load and work flow.
- And executing your integrated marketing strategies.

Watching the micro dimension means keeping a close watch on all the thousands of details that go into operating a busy and productive professional organization.

Managing the micros includes:

- Making sure each staff person is working both efficiently and effectively at every moment of every day.
- Controlling costly wastes of supplies and inventory.
- Checking minute details like postage meter readings, packing of shipments to clients, and the way phone calls are handled.
- As one of my clients puts it, “Managing the micros is not just **expecting** performance from everyone in your organization; it’s **inspecting** to see that you get the performance you expect.”

Some professionals are strong in watching the big picture. They love to quote Ben Franklin as saying, “Don’t be penny-wise and pound-foolish.” In other words, don’t get so caught up in the details that you lose sight of the big picture.

Others manage the micros very well—they believe that if you watch the details, the big picture will take care of itself. They also like to quote Ben Franklin—especially his famous statement that “A penny saved is a penny earned.”

Neither of those approaches is adequate to meet the management needs of professionals in today’s highly complex marketplace. Success comes from constantly watching both dimensions—the big picture and all the details.

Let me illustrate how crucial this dual focus is by sharing a couple of stories my clients have told me.

- One of our corporate clients—a large home furnishing manufacturer—once introduced an exciting new furniture line, in a style that had been taking the market by storm. Every detail had been worked out to assure that the design and pricing were right, and that production was ready to go. They had planned to announce the new line with great fanfare at an upcoming international show. There was only one thing wrong—nobody had bothered to research the market. The new offering fell flat on its face because it was designed for a trend that was quickly dying. They had been so caught up in the details of preparing the products and promotion that they’d overlooked a major consideration—whether or not anybody would buy it. They had managed the micro dimension, but not the macro.
- Another client—a professional—had carefully put together a very expensive direct mail campaign to promote a new round of seminars she was planning to conduct. She had carefully researched her market, she’d created a magnificent mailing packet, and gone first class in her presentation. There was only one problem—the day after all the mail pieces had gone out, one of her staff people noticed that the response cards containing the prices, dates, and locations of the seminars had been left out. And, since it was the only place she had listed her return address and phone number, her expensive mailing was useless. According to her own estimates, that one micro-slip-up had cost her thousands of dollars in wasted mailers and postage. But, even worse, by the time she could reprint and distribute the mailer, she had missed many paying clients who would have responded—if they’d only known how to get in touch with her. She had covered the macro, but had not checked up on a very important detail.

To really be successful, it’s crucial to manage both the big picture and the minute details with equal care.

Strategy 2:

Know and Carefully Control All Costs of Doing Business

Some of the best advice I ever received about managing my professional activities came from a very successful businessman. When I asked him to tell me the secret of his great wealth, he said, “Nido, it’s not the way you sell that makes you rich; it’s the way you buy.”

What he meant was the **effective management** of what you take in is at least as crucial as the **amount** you take in.

The two most common mistakes professionals make is that they don’t know their true costs, or they underestimate what’s involved in taking on a new project or service.

Let me highlight some ways those mistakes can weaken, if not destroy, a professional organization.

Many professionals who are always struggling to make ends meet have no idea what their daily and hourly overhead costs are. For example, if you ask them to tell you how much their administrative costs per hour are, they’ll quickly add up the salaries of staff people like secretaries and bookkeepers, and give you a figure. They’ll completely overlook such line items as employee benefits, and social security, office space and equipment, maintenance and repairs, and all kinds of supplies.

Yet, if you look at those fixed overhead costs on an annual basis, they may add up to more than the salaries involved. The net effect is that the professional managers are underestimating their costs of doing business by about 50%. An oversight like that often makes the difference between profit and loss in a professional operation.

Our research shows that professionals often fail to control costs on such items as these:

- They underestimate the cost of money such as interest paid on loans, or income lost on money taken from savings or investments.
- They fail to plan carefully and end up paying more taxes than necessary.

- They fail to cost out their projects and operations on a day-to-day basis, and actually lose money on some activities that seem to have a large margin.
- They fail to count their own time as a cost factor.
- They add extra layers of staff costs, without looking at how those weekly and monthly expenditures add to their total costs of doing business.

The bottom line is that their annual profits are all eroded by their daily operations. And, many of them don't know where all the money goes.

But there's another side of the cost coin that eats away the profits of many professionals—they underestimate their true costs of serving clients. Let me give you a simplified illustration of how it works:

Let's say you price out a project thinking it's going to take 100 hours of staff time. But once you get into the project, you discover it takes 120 hours. A quick look would say you had underestimated your costs by 20 hours of staff salary.

But look a little closer. What if the staff people who work the extra 20 hours are your most expensive employees? And, what if you have to pay extra for overtime? By the time you add your overhead costs of hidden expenses, that project could end up costing 50% more than you had budgeted.

Even if you bill the client for the extra hours, which to me is a very bad way to do business, you could still end up losing money on the project.

I've found it makes good business sense to cost out every project and service for every client. Then, I compare my actual costs with my projected costs. Even if you know precisely what each project or service is costing you, it's still a challenge to maintain a healthy profit. But, if you don't know what your true costs are, it's virtually impossible to operate profitably.

That brings us to another vital strategy for managing your business for maximum profits...

Strategy 3

Keep Expenditures and Income in Constant Balance

Cash flow is a major problem for many professionals. They get along well for a while and seem to have plenty of money. Then, suddenly, they're borrowing large sums of money to keep their operations afloat. Before long, they're in deep financial trouble.

To an expert in engineering, or health care, or sales, it doesn't make sense. How can a professional have so much business, and be working so hard, and still go broke?

It's easier than you may think. And it takes real business acumen to avoid the major traps that some professionals fall into.

One trap is expanding operations outward while maintaining a corresponding increase in income.

- You may take on several major new clients and gear up to service them. If income from those clients doesn't keep pace with the expanded expenses, you'll have to pay interest on borrowed money to service them. If one or two of them cancel, and you hang on hoping to snag some business to replace them, you can soon be in big trouble.
- Some professionals expand their operations or add new facilities on borrowed money, only to discover that their income does not keep pace with their expanded expenses. When monthly payments exceed your monthly income, you can face stiff cash flow problems.
- Payment schedules can also create tremendous cash flow problems. For example, it might sound good to say, "Oh, I always get a large chunk of money up front." But, if the advanced money runs out before the client's work is done, you still have to pay for having it done. Add to that the tax implications of getting chunks of money for which you don't have corresponding expenditures, and you can end up losing money on an otherwise profitable client. Enough of those situations in which you have spent money and still have work to do, and you can be in a real cash flow bind.

So the key to managing a profitable business is to maintain a constant monthly balance between income and expense—to spend no more than you take in.

That sounds so simple—you'd think any astute business person would operate on that principle. Unfortunately, most professionals have never had training in managing a business. So, when they find themselves managing large sums of money, they fail to account for all the ways that money can get away from them.

One friend and professional colleague of mine built up an enormous practice, with a big staff and solid client base. Yet, in a matter of months, he found himself bankrupt and his reputation ruined because he let the business side of his profession get away from him.

Let me urge you to learn everything you can about managing cash flow. Take business courses, read constantly, and cultivate some solid mentors who are successful in running their own businesses. It can save you a lot of heartaches in the months and years to come.

Strategy 4

Separate Overhead Activities From Income Producing Activities, and Watch the Overhead Factors Carefully

Most businesses divide their operations into three functions—sales, production, and administration.

The sales function is an income producer because it brings in revenue. That's why many companies are willing to pay high sales commissions to the people who sell their products or services.

And, production is an income producer because it earns the revenue that sales bring in.

But everything else is pure overhead. It doesn't mean that secretaries, receptionists, bookkeepers, and office equipment are not necessary—they are. You can't serve your clients without them.

Also, it doesn't mean there is no overhead expense in your sales or production functions. The higher the costs of your sales or productions, the more you have to charge your clients.

Yet, if you work it right, you can increase sales or production in direct ratio to the costs you add in those two functions.

But administrative costs are dead weight. For example, if you add an office manager to control the work flow of your administrative staff, there is no corresponding income increase to cover that cost. It's a layer of raw overhead that must be picked up by the sales and production functions.

I find it helpful to carefully control all overhead costs—but especially those in administration which don't produce additional income.

Strategy 5

Constantly Invest in Your Growth in Your Profession

Some professionals will invest in fancy cars, expensive clothes, trips abroad, real state, stocks—almost anything except in the growth of their own careers.

That attitude always baffles me because our chosen professions usually hold our brightest prospects for building financial growth for the future. And a profession is like any other business—it only grows as you cultivate it.

I gather from your investment of money and time in this eBook that you understand the principle of sowing and reaping. You're investing in expanding your professional expertise and success. But let me highlight a couple of other areas where it pays big dividends to invest in the growth of your profession.

(1) One of those areas is promotion. P.T. Barnum's name became known around the world as king of the circus. But that wasn't accidental. He invested a fortune in advertising for his circus. And, like all business leaders, Barnum was always concerned about getting the maximum return on his investments. He once told a friend, "I'm sure that at least half the money I spend on advertising is wasted—but, since I don't know which half, I don't dare cut out any of it." Promotion is a little like that. Even with all the improvements in ways to measure the effectiveness of advertising, you can't always see an immediate return on your promotional investments.

It takes a solid commitment to invest the price of a new automobile in a promotional program—especially when there is no guarantee that it will pay off directly. Yet, if you keep promoting, and invest time in making sure it's done wisely, it can build your career like nothing else.

(2) A second area where investing in your professional growth pays off is in building equity in your business. When you come to the end of a year of hard work and see you've made a nice profit, it's very tempting to sink all your profits in toys and other luxuries. But the savvy thing to do is to put a major portion of that income into business activities which will earn more income. For example, look for passive income producers that are appropriate to your profession.

Another way to invest income in future growth is to clone yourself through other people. If you hire the right people, and manage them carefully, you can boost your income substantially. Sure, it has its risks, but it also has tremendous earning potential.

The important thing is to cultivate a success mentality—to develop an investment mindset about building up your career. Once you have that, you can work out the specifics of how to do it.



Strategy 6

Focus on Return on Investment

The big question is not simply, “How much money are you making?” It’s “How much money are you getting in return for all the time, energy, and money you’ve invested?”

Think about it for a minute. If you were putting money into a savings account, you’d shop around for the highest interest rate you could earn, right? And, if you were buying real estate, you’d want to make sure your properties would provide the greatest growth. The same principle applies to investing in your business.

Yet many professionals consistently invest their income in equipment and activities that give a poor return.

- For example, some professionals pay high rent and other costs for elaborate facilities they don’t really need. They argue that it’s all tax deductible, anyway. But the key questions are: “Does it actually bring in enough additional business to pay off?” and “Are the tax savings the best return on your investment?”
- Another example of poor investment is the idea that professionals should always have state-of-the-art equipment. I’m all for computers and other expensive equipment if they actually cut your costs of doing business, or if they bring in additional revenues in proportion to their costs—and only if you can use them long enough to get a solid return on your investment.

The bottom line on any investment is how much return it produces in relation to all the investment opportunities available. For that reason, I strongly recommend to all my professional clients that they consider both the short term and long term results of every investment they make—and that they weigh those potential results against both the risk involved and the other investments they could make.

Conclusion

I hope by now I've heightened your awareness that there's a great deal more to managing a successful professional career than just staying busy. In today's competitive marketplace, managing for profitability is crucial to your success. If you operate with these six strategies, they will help you build a solid and steady professional career.



About the Author

Would you respect a man who came to the United States as a teenager with little knowledge of English, no contacts, and only \$50 in his pocket, yet ended up a mega success story? Would you listen to what he has to say about success?

Nido Qubein's business savvy led him to help start a bank in 1986, and today he serves on the board and executive committee of a Fortune 500 financial corporation with \$120 billion in assets and 30,000 employees. He is also chairman of a national public relations company, chairman of Great Harvest Bread Company, which has 218 stores in 41 states, and chairman of Business Life, Inc. He serves on the boards of several national organizations, including the La-Z-Boy Corporation.

Nido has also invested his time and energy in the academic community. He is the President of High Point University, an undergraduate and graduate institution of 3,000 students from 50 countries. His Qubein Foundation has provided over 600 scholarships worth over \$3 million and continues to provide 48 additional scholarships to deserving students yearly.

An active speaker and consultant, Nido addresses more than 100 business and professional groups around the world each year. He served as president of the National Speakers Association, which has a membership of 4,000 professionals, and is the founder of the National Speakers Association Foundation, where the highest award for Philanthropy is named for him. He is the recipient of the highest awards given to professional speakers, including the Cavett, the Speakers Hall of Fame, Horatio Alger Award for Distinguished Americans and The Order of the Long Leaf Pine, and Sales and Marketing Internationals Ambassador of Free Enterprise. Toastmasters International named him the Top Business and Commerce Speaker and awarded him the Golden Gavel Medal.

Nido is the author of numerous books and audio and video learning programs, including the national bestseller, *How to Communicate Like A Pro*.

Nido is a success story who doesn't just talk business, he lives it. He is an entrepreneur with active interests in real estate, advertising, and banking.

