

PROFITS AREN'T EVERYTHING, THEY'RE THE ONLY THING

**No-Nonsense Rules from the Ultimate
Contrarian and Small Business Guru**

GEORGE CLOUTIER

GEORGE CLOUTIER is co-chairman of Partner America (a partnership with The U.S. Conference of Mayors) and CEO of American Management Services (his own consulting firm specializing in small- and mid-sized businesses). Mr. Cloutier has been described as "The Turnaround Ace" by *BusinessWeek* in light of the fact his firm has brought more than six thousand small businesses from near bankruptcy to double-digit profits. American Management Services started in 1968 with \$42,000 in seed capital and today generates more than \$20 million in annual revenues. Mr. Cloutier is a graduate of Harvard College and Harvard Business School.

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MAIN IDEA

If your business is struggling to make money in the recession, forget about blaming the economy. That's just a convenient excuse. Instead, you should be looking in the mirror for the cause of your problems. If your profits are down, it's your fault. And it's up to you to fix it, so stop making excuses and get to work. When you take a good hard look under the hood, you'll probably find the majority of your problems are internal and self imposed. You're just not doing what you know you should be doing. That's good news because it means you can fix things by facing up to some uncompromising and tough truths.

The solution to all your problems is blatantly obvious: "Put profits first, always". Do everything you can (and a few extra things you didn't think you could do as well) to maximize the profits your firm generates. Commit to doing whatever it takes to make the profits you know you're due and force it to become a reality. Apply the 15 Profit Rules with passion and commitment. By doing today what others won't you will end up achieving tomorrow what they cannot. How successful you become is up to you.

"I'm not going to lie to you. Making a real profit takes unwavering dedication to your business. When I travel the country giving seminars, I ask the audience: 'On a scale of 1 to 10, how hard do you work?' I get a lot of 8s and 9s. But I'm always amazed at how few people say 10. I tell them if they didn't check off 10, they're not working hard enough. That's why they're not making money. Business is not complicated. It all boils down to how hard you work, and how smart you work, in good times and in bad. Do more. Get more. And be ruthless in your quest to make money."

– George Cloutier

The 15 Profit Rules

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| 1 | Profits aren't everything – they're the only thing | How much profit you generated and how much cash you have are the only business metrics that count. Focus on your cash flow with intensity. | Page 2 |
| 2 | Open your books and end denial | Open your books and face reality. If profits aren't as good as they need to be, find your red flags and deal with them. Don't procrastinate, get into action. | Page 2 |
| 3 | Pay yourself – forget about building sweat equity | Pay yourself first and everything else will work out. Don't work for nothing building sweat equity. Treat yourself like what you are – the boss. | Page 3 |
| 4 | Put your business before all else if you plan on succeeding | Building a business is all consuming – you have to put it before your family, interests and any other pursuits. You have to be committed to succeed. | Page 3 |
| 5 | The best family business has just one member | Don't hire your relations. Go outside your family and look for the best qualified person for any job you need to fill. Blood and business don't mix. | Page 4 |
| 6 | Delegate and micromanage everything with pride | Don't assume by delegating a task to someone else it's all taken care of. Micromanage everything. Catch errors before they happen. | Page 4 |
| 7 | Have a real business plan you live and die by | Have a financial and operating plan you use and live by each day. That plan will specify what your profits are so set that money aside. Put profits first. | Page 5 |
| 8 | Always pay for performance | Freeze your salaries and put everyone in a position where at least 30 percent and preferably 100 percent of their pay is performance based. | Page 5 |
| 9 | Realize you're running a business, not entering a popularity contest | Fear is a great motivator in business. Tell people what you want them to do and accept no excuses. It's fine for your people not to like you. | Page 6 |
| 10 | You are in business to make a profit, not to pay your vendors | In business, cash flow is king. Never pay your vendors on time. Stretch out payments as long as you can. This is interest-free financing. | Page 6 |
| 11 | If you do have to file for bankruptcy, do it earlier rather than later | If you're going to go through a Chapter 11 reorganization, do it sooner rather than later. By seizing the advantage, you can structure it advantageously. | Page 6 |
| 12 | Treat sales like your best friend – not like your mother-in-law | Focus on generating more sales in good times or bad. Don't treat sales like an unwanted guest. Get out from behind your desk and roll your sleeves up. | Page 7 |
| 13 | Forget about golf, retreats, trade shows and other wastes of time | Don't waste your time. Let your competitors do that kind of stuff while you stay in the office working to steal their customers. Work hard. | Page 7 |
| 14 | Teamwork is vastly overrated – it doesn't work | Any team is only as strong as its weakest link. Give your people strong leadership and structure and focus on individual performance. | Page 8 |
| 15 | It's not the economy, it's you that's the problem | Don't use the recession as an excuse. Get into action now. Cut costs, get aggressive about sales and fire any mediocre workers. Turn things around. | Page 8 |

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