

THE SCEPTIC'S GUIDE:
20 WAYS TO MAKE
YOUR BUSINESS
MORE PROFITABLE

IAN WHITWORTH

Business isn't as complicated as they want you to think it is.

Owning your own business is both a world of pain and a chance to design your own personal amusement park of freedom and exhilaration.

For the first few years, you're just thinking: *will I be stuck forever having to be the cheapest of five quotes? Will I ever get to the profitable bit?*

You can get there, and you don't need to walk over coals with Anthony Robbins or whatever.

My business partner and I have a national business that generates seven-figure profits without us working in it day-to-day. We did it by doing the exact opposite of what the MBAs and the motivational hucksters would have you believe.

Of course it's a lot of work, but it's mainly just paying attention to the basics. It's easy to get distracted by 'agile machine learning' or whatever buzzword fad you read in Fast Company, and think that's the true path to success.

Instead of just having a few good ideas and the patience to execute them really well for years.

This e-book contains a short version of simple, essential tips for building your own, profitable business. Each has been fully tested with our own money.

They sound so obvious when you read it. Yet most business don't actually do them.

Stick to the plan and glorious freedom shall be yours.

DEFINE WHAT YOU STAND FOR

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So what's your mission? I don't mean some empty corporate mission blather like "growing and enhancing shareholder value through the empowerment of our staff, customers and associated stakeholders" because that won't get anybody out of bed in the morning. Not you and certainly not your staff.

Your mission – the reason your business exists, what some would call positioning – has to be something that fits on a bumper sticker and uses short words.

Hint: it's not about 'quality', 'service' or other clichés. It's about how you do business.

My favourite mission is on a plumber's truck I sometimes see at my usual surf beach. Their slogan is: "We Turn Up." That's a pretty modest statement ... if you've never used a plumber in your life. But those three simple words strike a chord with anyone who has ever experienced the empty promises and Rastafarian sense of urgency of most contractors. Simple yet genius consumer insight.

What's your 'We Turn Up'?

That mission is the foundation of what sets you apart from your competitors.

If you're just another business doing the same thing as the others, why would the customer go with anything other than the cheapest of four quotes?

In the long-term, that's how and why you need to create a brand. Because a trusted brand lets you charge more for the same thing than others.

Your brand isn't your logo. Your brand is the experiences and feelings people grow to expect when they buy from you.

And for most businesses, the greatest single influence on that isn't ads or digital. It's how your people behave. If they all get it, they'll deliver over and above your competitors.

The test is: can they say it out loud without feeling weird? 'We Turn Up' – no probs. 'Delivering excellence through premium solutions' ... not so much.

DO ALL YOUR STAFF GET IT?

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THE SECRET OF SERVICE BUSINESSES - LIKEABLE BEATS SKILFUL

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As a marketing guy I wish I could say powerful marketing is the secret to building service businesses. Get real, it's referrals and word-of-mouth. Online lead generation brings in comparison shoppers – it's useful but takes more work. On a small business budget, ads usually bring in ... not much. New business sales calls are an endless grind.

Get others to do your boasting. Referrals do what you can't: say you're great. And all respect to your skills in what you do, but customers can't really tell how good you are. That's why they need to hire you.

They judge you on how likeable you are. Do you remember their name? Do you take an interest in what they're trying to achieve? If things are going wrong or running late, do you keep them informed?

If they like you, they'll recommend you. Simple.

This is how you build a service business. Any hour spent getting to know your client better is more productive than an hour spent making yourself technically better at your job.

You see it every year near tax time. The ads urging you to buy things for your business because it's 'tax deductible'. Any manager who uses that phrase is likely to be wasting a ton of money on crap they don't need.

Here's another word for tax deductible: an expense. If you don't know that expenses are ... bad, then surrender your bank account access.

The only question should be: will spending that money generate revenue or lower costs? If so, buy it. If not, don't. You don't need that new car just because it's tax return time.

Another phrase you hear from people with no finance skills is 'tax losses', as if it was some secret rich-list way to make money. If you're a giant multinational, it might be. But not for you or I.

Sure you can use them as a consolation prize for the worst of your early-stage screwups, but unless you get to the profitable stage, they're just: losses. And you have a loser business.

STOP BUYING THINGS BECAUSE THEY'RE 'TAX DEDUCTIBLE'

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CHARGE MORE. DO IT NOW

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You should always be thinking about how to charge more. There is constant, relentless pressure to drop your prices: digital alternatives, sinister procurement departments, swarms of new competitors apparently willing to work for food.

Your staff aren't coming to you looking for a pay reduction. Your landlord hasn't built in an annual rent decrease. If you're not constantly thinking about how to move your prices up, you're in trouble. Having a trusted brand really helps.

Split your offer into layers so customers can choose between them, rather than go elsewhere. TV retailers always have a super-expensive model that never gets sold. It's role is purely to make the next one down look like great value.

Remember that price is a strong signifier of quality. Have some confidence in yourself. Customers respect that.

So you've mapped out your lucrative niche, but will it get disrupted? Could it be redundant in five years? How do you plan for that, other than by rehearsing the line "I for one welcome our robot overlords"?

It's hard to generalise across every type of business, but look to the amazing human powers of flexibility. Can you give your people the freedom and skills to bend the rules when it just makes sense and nobody's going to be harmed?

Big companies love rigid, coded systems and processes. It makes their staff perform like robots. So who would be surprised if robots eventually replace them?

No technology can look you in the eye and make an exception to a rule: the judgement call that makes that moment more convenient for the customer, and makes them feel like an individual. That's an opportunity for your small, flexible business.

WILL YOU BE REPLACED BY ROBOTS?

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GET YOUR ASS OUT OF THE OFFICE



Great business people are constantly alert to new ideas when they're out and about. The world is full of great ideas you can steal from other industries.

It's also vital to get out there in customer-land. Your customers are not like you, or your circle of friends who are all the same as you.

Most business people 'research' new ideas around the office, where everyone's high on the same fumes and believes that:

1. Your products are awesome
2. Your competitors are evil and incompetent

Neither of those are as true as you want them to be. Get out and talk to people who buy your stuff. Learn their aspirations, dreams, the everyday things that irritate them as they go about their daily lives.

Do it in a one-on-one chat way, not in a stiff, creepy focus group style. Talk less, listen more.

The more you do it, the quicker you get the ninja sixth sense of what will actually sell.

I've watched lots of business around us go under. For a large number of them, it's purely because they forgot to put money aside for tax.

A working business runs up a lot of ongoing obligations: sales tax, income tax, withholding tax, superannuation/pension fund money. Then suddenly the government shows up and wants the \$100K you should have paid them last year. When the Grim Reaper comes a-knockin' for businesses, in 90% of cases it's the tax office under those black robes.

The simplest, most effective approach is to set up multiple bank accounts and put a percentage of all revenue straight into one marked Tax. We work on 25-30%. Don't even think about that cash being yours, it's the government's. You sleep more peacefully knowing where you are with this.

MULTIPLE BANK ACCOUNTS KEEP THE GRIM REAPER AWAY



ONE BIG CLIENT SYNDROME

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There's a situation that always makes me fear a business is in mortal danger. I call it One Big Client Syndrome.

On the surface, you have a great business. It's growing, margins are strong, new work just pops up all over the place. You visit the Big Client offices for a meeting, bump into someone from a different department in the corridor and bingo! They give you more work.

But it's actually a Code Red danger situation for you, because: client change is real. It's a matter of when, not if, your main contact there changes jobs. Or that company needs a lot less of that thing you do for them. You're left with no revenue and a cost structure based around a business that no longer exists. You can lose everything overnight.

Even if it means a smaller business, it's vital to diversify your client list. The more clients you have, the less you have to sweat over losing one for reasons totally outside your control.

I once got to hang out with Bryce Courtenay, a lovely man who rose to the absolute top of the advertising industry, then at age 55 decided to become a fiction author. His first book sold 8 million copies.

He arrived in Australia on a boat as a penniless but ambitious teenager, saw a Sydney harborfront home and said: I'll own that one day. He got there in 17 years. How?

His big insight was owning the losses. If his agency lost the pitch, he'd wait a few weeks for the dust to settle.

Then he'd call them and say:

"Thanks for letting us pitch, we respect your decision and hope things go well for you. But would you mind meeting us and telling us where we went wrong so we can learn from it? And don't try to spare our feelings, give us the unvarnished truth, I'm South African and almost impossible to offend."

They almost always took the meeting.

And almost always Bryce would win next time that client re-pitched their business. Just from knowing what they liked. By. Asking. Them. Nobody else did.

OWN THE SCREW-UP

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GREED WON'T GET YOU THERE

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Stop thinking about the money all the time. A billion words have been written on visualizing your success before you achieve it. It's easy to visualize material things: flying in your platinum helicopter, dining on roast swan, your valet laundering your mink underpants.

It's much harder to visualize the thrill of helping young staff turn into stars, or the gratification of total strangers saying they had a great experience with your people. These are incredible but abstract pleasures. If you think of success purely in terms of the sweet cash, your staff and clients can feel your greed. It shows in your eyes. So they don't trust you.

If you think of success in terms of relationships, you build something that's more commercially viable long-term. It's hard for a new competitor to come in cold and beat the years you spent developing tight bonds with your clients and staff. So, ironically, you can make more money by not obsessing about ... the money.

Keep your management structure as flat as possible. Avoid titles. We don't use job titles much. Apart from the local partner/manager, nobody is above anyone else on the org chart.

You don't get the empire-building and turf wars you get elsewhere, where people who once generated revenue and did actual work become "Director of Innovation" or some such, sitting at a desk doing "research" i.e web browsing. Hire more people who do revenue-producing work and fewer people who administrate.

You particularly see it in multi-location businesses when they decide it's time for a head office, because "synergies". The "IT Guy" becomes the "CIO" and so forth. They all start hiring staff to boost their prestige and salaries. Suddenly you end up with HR departments and other thirsty margin-vampires. Now you're on track to make the sort of trifling percentages that big companies make.

You'd be amazed how much of this corporate feather-bedding your growing business doesn't need.

THE MANAGEMENT LASAGNA

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PEOPLE CAN'T CHANGE

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The idea that people can change radically is quite bogus. The idea that *you* can change them is delusional. Most women are familiar with men who say, "I can change." You know the sort of man who says it is more likely to solve global warming than change any part of his character. So stop thinking you can change staff.

We're not talking about skills here. You can usually teach those.

What you can't change is people's essential nature. If they're liars, they'll keep lying. If they're lazy, they will be lazy until they die.

There's no intervention you can stage on people's core character. No seminar you can send them to. It's like sending your rabbit to a course on not eating lettuce. It's a waste of their time and your money. Your instincts about staff after a few months are correct. Act on them. "I'm giving you one more warning" never works out. Let them go.



SOMETIMES THAT'S A GOOD THING

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The flip side of this is that if you run across great people and you don't currently have a position, seriously consider hiring them and find something for them to do. The role will evolve into something rewarding for both of you, because they can't change either. They can't stop being enthusiastic, innovative, energetic or whatever draws you to them.

We've often taken this approach and every time it's been much more worthwhile than recruiting from a pile of CVs. It's allowed us to grow the company much faster, and, as a bonus, the snowball effect attracts more of those people.



STOP WASTING PEOPLE'S TIME

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In most businesses, your staff are your single biggest expense. You're coughing up catastrophic sums every hour of every day to keep people in a job.

Yet so many business decisions are made in an abstract world where labor is free and the cost of the new initiative is the only variable. So some cubicle-lurker uses \$12,000 worth of time working on a plan to save \$4000 a year on photocopy paper. Businesses make people jump through burning hoops to get a \$200 expense paid, but any fool manager can call pointless meetings that chew through a thousand bucks in salaries per hour.

I'm always amazed to visit businesses that 'save money' by making their staff work on dusty beige computers with Seinfeld-era operating systems. The slowness and the crashes cost you tens of thousands each year in wasted time. Plus your valuable staff spend every day physically attached to something that pisses them off. Please, put the money you save on meetings into new computers.

There are two sorts of managers. Those who believe people are basically decent, and those who believe people are NO DAMN GOOD. In the latter camp, all staff are lazy and stupid, and need constant direction and control. And there simply aren't any good staff now, not like in the "good old days". Suppliers are all out to screw you, and must be screwed hard in return.

Business karma is real. If you look for the bad in every situation, bad things will come your way, because you are a mean-spirited human cockroach. You look for the scams in everything, and people can sense you don't trust them, so you get no trust or extra effort in return. Our belief is that 99% of staff are upright citizens who just want to do a good job, because doing a good job makes them proud and happy.

If you treat everyone like the 1% of rogue staff who falsified petty cash receipts or whatever, that's a dark place to operate from. You might make money, but is that how you want to live your life?

TRUST IN THE HUMANS

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FORGET THE BIG SCORE

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Everyone dreams their business will take off like the magazine and podcast success stories. They launch a marketing campaign and wait for the storm of incoming business, and the Big Deal that catapults them to the Porsche dealership with a suitcase of cash.

It won't happen, and that's OK. It's the basics that will work over the long run. If you wrote a business book called *Get There Gradually: There Is No Magic Formula*, it wouldn't fly off the shelves. But that's how it is for all but a few very lucky businesses. Success is more of a gradual, tidal change you hardly notice as it builds, a story which makes for a super-boring podcast.

Just keep marketing consistent long-term.

Don't do a surge of promotion then stop. Or change your message every few months.

People take ages to get used to you, or even understand what you do. Hang in there.

Think of it as erosion rather than a single mighty strike at the rock face from Thor's hammer. Thor isn't real.

You can tell a good business by the way people talk to each other rather than using passive-aggressive emails. Lead by example. As soon as fights or trouble start, go to their desk or pick up the phone and sort it out.

Talking it through analog-style is a remarkably quick way to get almost anything sorted out. It's not taking up space in your brain while you wait for someone to draft, redraft and send their painstaking email reply, full of assumptions and misinterpretations.

Mostly, the conversation will show the disagreement was far smaller than you both thought and you'll part on a happy note. You'll both feel better instantly and move on to productive things for the rest of the day. Rather than stewing for hours over some badly-worded email phrase and thinking "well, fck you too!"

TALK IT OUT

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DELIVER. ACTUALLY DO IT

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The most essential success technique sounds the lamest when you read it.

Do the things you said you'd do.

Everyone in business talks up what they're gonna do. Too easy, they say. Good as done. I'll get back to you ASAP.

Then they don't do it. Nobody does. Then you, the customer, have to chase them up, and the whole transaction becomes the standard crap business experience.

Have a system. Note down what you've said you'll do. Have your people do the same. And do the things.

Honestly, if you can do just that, your business will be ahead of everyone else out there. And over time, a reputation for delivering creates an unstoppable, profitable brand.

CREDIT: KILLER OF SMALL BUSINESSES

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Don't give anyone credit. Easy to say, harder to do, but a good place to start. Consider all the industries that wouldn't think of giving you credit. Supermarkets. Airlines. Hotels. Car dealers. Hospitals. Tattoo artists. You can tell them "I'm a business, I always get credit" and they will say "pay up front or please leave the premises".

Why should your business be any different? Giving people credit removes the only bargaining power you have over customers: the fact that they want what you've got. After that, you have nothing. If they decide not to pay you, what are you going to do? You're going to consume a vast amount of your valuable time, that's what. Placing calls they won't answer. Emails that go nowhere. Wasting all your time cranks up the amount they're stealing from you. When you're angry, you're less productive, so it gets even worse.

This isn't 1995. You don't have to wait for a cheque. Each day they invent new, convenient ways for clients to pay *now*. Make them do it.



DEFEND YOUR EQUITY

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I DID SAY 20 BUT THIS ONE'S IMPORTANT

The whole point of owning your own business is to control your own destiny and not have creepy finance types telling you what to do.

Most entrepreneur advice you read is based on tech startups, so people think finding external investors is the main game. The talk is all angel investors, VC, Series A, Series B. If you have a normal business, selling down equity is really undesirable and the most expensive form of finance.

The Silicon Valley approach is a massive distraction, because you're more focused on raising money than you are on creating a business to last longer than your current pair of sneakers.

The most successful people I know, even in tech, haven't diluted either, because they focused on making a profit from the beginning like normal sane business people.

Good luck with your business!

Ian Whitworth is a reformed advertising creative director turned entrepreneur. Read more of his writing on business-y things at the Motivation For Sceptics website ianwhitworth.net

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