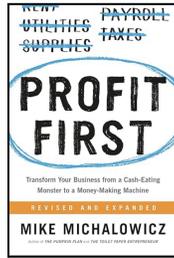


Your Kindle Notes For:



Profit First: Transform Your Business from a Cash-Eating Monster to a Money-Making Machine

Mike Michalowicz

66 Highlight(s) | 0 Note(s)

Location: 187

The Small Business Administration (SBA) states that there are 28 million small businesses in the United States alone. The SBA defines a small business as a company that generates \$25 million or less in annual revenue.

Location: 307

Let's eradicate entrepreneurial poverty together.

Location: 437

A great quarter can trick you into believing your business is on a permanent upswing, and you start spending like this is the new normal. But drought periods come quickly and unexpectedly, causing a major gap in cash flow. And cutting back on expenses is nearly impossible because our business (and personal) lifestyle is locked in at our new level.

Location: 467

You will reverse engineer all the elements of your business, and as Fried says, "the right size will find you."

Location: 473

Here's the deal, my friend: Profit is not an event. Profit is not something that happens at year-end or at the end of your five-year plan or someday. Profit isn't even something that waits until tomorrow. Profit must happen now and always. Profit must be baked into your business. Every day, every transaction, every moment. Profit is not an event. Profit is a habit.

Location: 476

Do you know the saying “Revenue is vanity, profit is sanity, and cash is king”? It is a succinct reminder that your job is to maximize profit, regardless of the current size of your business. As you focus on profit, you’ll discover new ways to both streamline and grow your business. It doesn’t work the other way around. The lemming mentality of growing first with the hope of finding profit in the process, is so bass ackward it drives me nuts.

Location: 495

When you focus on profit first, you inevitably figure out how to make a profit consistently. Profitability. Stability. Sanity. Forevermore.

Location: 604

GAAP’s fundamental flaw is that it goes against human nature. No matter how much income we generate, we will always find a way to spend it—all of it. And we have good reasons for all our spending choices. Everything is justified.

Location: 635

I thought. Accountants define profit differently than entrepreneurs. They point to a fictitious number at the bottom of an accounting report. Our definition of profit is simple: cash in the bank. Cold. Hard. Cash. For us.

Location: 689

Never forget the power of your “monster”—you just have to understand how to direct and control it. When you learn this simple system, your business will no longer be a monster; it will become an obedient, pasture-loving cash cow. A damn strong one, at that.

Location: 729

The solution is not to try to change our ingrained habits, which is really hard to pull off and nearly impossible to sustain, but instead to change the structure around us and leverage those habits.

Location: 796

Parkinson’s Law: that the demand for something expands to match its supply. In economics, this is called induced demand—it’s

Location: 803

How much toothpaste do you use when you have a brand-new tube of toothpaste? A big ol’ glob of it, right?

Location: 808

But when you open that cabinet drawer and find a nearly empty tube . . . my oh my, how the game changes.

Location: 882

Specialists own the biggest houses in town, while general practitioners can't pay off their student loans.

Location: 898

Never, ever, ever pay bills first. The money moves from the INCOME account to your PROFIT account, OWNER'S COMP, TAX, and OPEX (OPERATING EXPENSES). Then you pay bills only with what is available in the OPEX account. No exceptions. And if there isn't enough money left for expenses? This does not mean you need to pull from the other accounts. What it does mean is that your business is telling you that you can't afford those expenses and need to get rid of them. Eliminating unnecessary expenses will bring more health to your business than you can ever imagine.

Location: 932

After setting up this new checking account at your bank, nickname the account PROFIT, and from this moment forward from any deposit you put into your normal checking account, transfer 1 percent of that deposit into your PROFIT account. Then proceed with your business and processes and money management as you have in the past. Just add to the PROFIT account, and never touch it (until you get to the section of this book where I explain what to do with it). If you get a \$1,000 deposit, I am telling you, starting today, transfer \$10 into your PROFIT account.

Location: 941

The goal here is to win over your mind.

Location: 1,318

A financially healthy company is a result of a series of small daily financial wins, not one big moment. Profitability isn't an event; it's a habit.

Location: 1,345

You are not a fool. You have done nothing wrong, and you have nothing to be ashamed of. You have this book in your hands. You are discovering the truth and another way to get where you want to go. You are no longer asking, "How can I make my business bigger?" You are asking, "How can I make my business better?"

Location: 1,400

Perfectionism kills every dream—better to just start.

Location: 1,415

Henry Ford, who said, “If you think you can or think you can’t, you’re right.” Be optimistic when you assume profit capabilities for your business or your industry. In other words, think you can.

Location: 1,539

Say it again, once more with feeling: my business serves me; I do not serve my business.

Location: 1,796

You know that saying “Today is the first day of the rest of your life.” I love it. To me, it represents the profound realization that we can change our lives (and our businesses) in a moment. Now is the time. This very moment we will make a profit for your business, and we will be profitable every day going forward. Please don’t just read this and then move on to the next chapter. I want you to take action now.

Location: 1,929

Implementing Profit First didn’t cause the crisis—it just helped you notice there is one. You are spending more money than your business can support. But don’t panic. By using CAPs, you will adjust to the tenth and twenty-fifth rhythm as comfortably as possible.

Location: 1,959

It doesn’t matter when you start doing Profit First; what matters is that you get into a quarterly rhythm.

Location: 1,976

When you take your profit distribution, the money is to be used only for one purpose: for your personal benefit. Profit is intended to be your reward for having the guts to invest in your own business.

Location: 2,035

“After you get your idea for a business, Profit First should be the very next thing you do.

Location: 2,111

“The solution to debt is this simple: If you want to get out of debt, you must get more enjoyment out of saving your money than you do spending your money.”

Location: 2,114

Wealth is a game of emotion. Business success is a game of emotion. Profit First is a game of emotion. It all comes down to the story we tell ourselves about what we're doing. "Is what I'm doing making me happy or not?"

Location: 2,141

Until your best month becomes your average month, it's not the norm; it's the exception. When you base decisions on your best revenue month, you will run out of cash—quickly.

Location: 2,153

Projections are an opinion. Cash is a fact.

Location: 2,215

You need to let go of people. And you have to realize that switching from working in the business to on the business is not like flipping a light switch. It is gradual. Often the most underutilized employee in an overstaffed company is you, the owner.

Location: 2,300

The new definition of success is not about the most revenue, employees, and office space but the most profit, generated through the fewest employees and with the least expensive office space. Make the game of winning based upon efficiency, frugality, and innovation, not on size, flair, and looks.

Location: 2,329

Some people say they can't be profitable until they are out of debt, but that's not true. The only way to get out of debt is by being profitable.

Location: 2,348

Momentum rarely occurs after one crazy effort. Momentum builds slowly but relentlessly.

Location: 2,397

Money is everywhere.* Money can always be found through streamlining and innovation, and that begins with asking the big questions. The impossible questions. The questions no one else would ever dare to ask. No one else but you.

Location: 2,402

Never mind the fact that we, the owners and leaders who love our companies and what we do, are the ultimate rainmakers; it is this top line approach to solving a cash flow crisis that holds companies back. Cranking up the sales team in order to make it rain is not going to help your

company if you don't have efficiencies in place, because, ultimately, whatever new client revenue you generate will have corresponding costs. And these are likely to go unchecked.

Location: 2,414

Why should you care about Idaho and its underground lakes? Because 95 percent of your company's profitability is contingent on what goes on beneath the surface (after the sales), not what happens in the sky (the sales themselves). And it is what's going on "underground" that will help you "find" gobs of money.

Location: 2,444

In fact, more sales, without efficiency, lead to further inefficiency. In other words, more sales make you less profitable.

Location: 2,446

Remember the toothpaste analogy?

Location: 2,450

Increased profit margins will boost your company's profits without the need for increased sales. And then, when you kick the selling machine back into gear (which we will discuss later), profits will skyrocket.

Location: 2,452

So the method is simple: achieve greater efficiency first, then sell more, then improve efficiencies even more and then sell even more.

Location: 2,463

How do you get two times the results with half the effort?

Location: 2,474

Why? Because innovation occurs in small steps, big leaps, and everywhere in between. To double the results with half the effort is a big goal that forces big thinking, and it brings about small and big progress—all of which goes to the bottom line.

Location: 2,484

Small questions yield only small answers. You want both the incremental improvements and the landslide discoveries, and you'll find both of those with big questions.

Location: 2,491

“How can I cut costs by one third and still service the same amount of customers?” Split the truck. Split the truck. Split the truck.

Location: 2,516

“Now, I am able to determine what expense is allowed [for a project] before we take it on. Otherwise, we have to figure out another solution.”

Location: 2,546

All revenue is not the same. If you remove your worst unprofitable clients and the now-unnecessary costs associated with them, you will see a jump in profitability and a reduction in stress, often within a few weeks.

Location: 2,552

But remember, profit is about the percentages, not a single number.

Location: 2,617

Shawn has achieved efficiency, and recognizes it as the secret sauce of profitability—getting more of the same things done with better and better results, using fewer and fewer resources.

Location: 2,657

While it may not seem that opening additional accounts simplifies anything, it absolutely does.

Location: 2,796

The monthly nut is a focus on—you guessed it—expenses, not profit. The concept of the monthly nut makes you focus on expenses and do everything you can to earn your nut with enough sales. In other words, it has us put costs first and makes the goal to cover expenses, not to improve profitability.

Location: 2,838

Note: Everything in this section also applies to getting and using loan funds. Wait until you're profitable, and then use the funds for amplification.

Location: 2,909

When you make enough money, you don't have to budget.”

Location: 3,067

Rewards are an important feature of Profit First. We must celebrate.

Location: 3,078

According to Parkinson's Law, if you have ten dollars in your pocket, you will spend ten dollars. As our income increases, Parkinson's Law takes over and we spend every extra penny we earn.

Location: 3,097

The Profit First lifestyle is a frugal lifestyle, for sure. But the frugal lifestyle is not the same as a cheap lifestyle. You can and will live very well (actually better) when you are frugal than you would when you are posing as a big spender.

Blue highlight | Location: 3,116

I set up a job list (a variant on chores) with corresponding pay rates and post it on the refrigerator. (You can download one from the Resources section at MikeMichalowicz.com.)

Location: 3,235

Pick growth or pick profit, but you can't have both. Bullshit! Profit and growth go hand in hand. The healthiest companies figure out how to consistently be profitable first and then do everything to grow that.

Location: 3,270

Money is made by efficiency—invest in it.

Location: 3,285

When you find yourself in a situation where you feel the need to “plow back” your profits, stop to reassess. There is always a better, more sustainable way to maintain the health of your business. You need to invest thought, not reinvest money.

Location: 3,298

Now, I am not saying you should ever pay more taxes than you need to (tax is just an expense like any other), but do realize that your taxes will grow as your business health does.

Location: 3,304

Talk to an accountant who specializes in both profit maximization and tax minimization (if you are unsure whether they do, ask them to share their method*) every quarter to gauge how you are doing on taxes.

Location: 3,349

I'll leave you with a quote from the great athlete Sir Roger Bannister, who busted through the myth that the four-minute mile could not be beaten: “The man who can drive himself further once the effort gets painful is the man who will win.”

Location: 3,402

My businesses are profitable today, and they will continue to be profitable tomorrow, next month, and in the years to come. I am debt-free and stringing together one small financial win after another—every tenth and twenty-fifth of the month.