

Ensure Good Returns on Your Investment

Follow the Saying, “If it Doesn’t Add Up, Don’t Do It”

Business is all about making a profit, so if your business strategies aren’t adding up to business profits, don’t do it, or do it differently.

To be a business – that is, ‘a commercial, profitable enterprise that works without you’ --your business must give a good return on investment plus a full wage for every hour you spend working in your business. You can then pay someone to do your job and the business profits are not affected.

The quote ‘if it doesn’t add up, don’t do it’ can be applied in all areas of your business. Advertising is a prime example. If an ad is run and does not get an immediate response, there is no point in keeping that ad running. It is wasting precious time and money. Change the ad or where it is running.

Increasing your team must also add up in dollars. Perhaps a business should consider setting training and operating systems in place so juniors can be hired to follow the systems, rather than hiring seniors who have the head knowledge of how it should be done. Alternately perhaps the business should look at new machinery or technology instead of more team members.

If you want to buy a business the figures also must add up – or have the potential to do so. Make a list of the criteria the business must fill and make sure this list is filled before you commit yourself. Many people buy into something believing it would fulfill their needs, to discover the figures were inaccurate or did not add up. If you are not sure, get help. Two heads are better than one, and prevention is better than cure.

A great idea when looking at a business is to check the industry average and see how your business compares. Given that four out of five businesses go out of business in the first five years, you may want to be better than average.

Finally the bottom line where your figures must add up is in net profit margin. To get this figure a business must add all expenses, including an appropriate wage for all the hours put in the business, plus interest on the capital you put into the business. This will give your real margins.

‘If it doesn’t add up, don’t do it’ must be applied regularly. Don’t wait until the end of the financial year to find if you have made a profit. Business is work, but it should also be fun.