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Spring Cleaning for Business

By Adam Hall 05/22/17

Ecclesiastes 3 says this:
“For everything there is a season,
and a time for every matter under
heaven:

...a time to plant, and a time to pluck up what
is planted;

...a time to break down, and a time to build
up;

... a time to cast away stones, and a time to gather stones together;

...a time to seek, and a time to lose; a time to keep, and a time to cast away” (3:1-3, 5-6)

We realize, quite naturally, that there are appropriate times in which we should change the direction or current state of being of our lives, our businesses, our families, or any number of other things. On an everyday level, the practice of spring cleaning makes this idea abundantly clear. When the weather begins to warm and the grass starts to grow again, many people begin to think about cleaning out their garages or closets, disposing of the out-of-date food hiding in their pantries, or getting their garden tilled and planted.

As a business owner, however, you should be thinking about doing some spring cleaning in your business in order to improve your efficiency and profits. If we want to take to heart the advice in Ecclesiastes, we should realize that there is indeed a proper time in which we should cut away from our businesses the expenditures and burdens that drain their ability to be profitable. Have you ever stopped to think, for example, about how much of your time and money is being wasted on underperforming employees, underperforming customers and



underperforming products? By dealing with each of these three profit drains, you can experience a tremendous positive impact on your bottom line.

Underperforming employees drain your profits in a key way. There are hard costs incurred for every employee—things like payroll taxes and benefits. Would you rather invest those costs in a good performer or in a substandard one? Think of it this way—keeping a poor employee around is like holding onto an undependable automobile. Every day that you own it, you are paying insurance and property tax on it, but it isn't creating value for you because it is not dependable. Similarly, every day spent retaining underperforming employees incapable of being improved by counsel or training is a waste of your money that creates frustration for you and your team and that reduces your profits.

Underperforming customers are a second profit-draining burden on your business. I've researched this issue many times and have found that, in most businesses, 80% of sales come from 20% (or less) of your complete pool of customers. Since it costs you about the same amount to maintain profitable customers as it does to maintain unprofitable ones, it follows, then, that about 80% of your total overhead cost is probably being spent supporting your customers that only contribute 20% of your gross sales—not a great return on investment by any means! Many businesses expend vast amounts of time, energy and money to maintain customers that simply don't contribute enough to the bottom line to justify the overhead expenses that they create. When you choose to allocate cost according to the activity of the business, you often find that 100% of company profits are created by 20% of the customers and that 80% of the customers are actually creating zero profit or even deficits. When this happens, you should seriously consider focusing your efforts on replacing those underperforming customers or clients with others that can offer greater sales and ROI potential.

Finally, underperforming products are prime profit-drainers. You have invested capital in every product that you store in inventory, and while some products sell quickly at a decent margin and represent a good return on your investment, many other products simply clog your storage, tying up money that would be better spent on items that sell at better margins or items that turn faster, and dragging down your system's efficiency potential. If you want to create more growth potential for your business, do a reality check; take a look around, identify the products with dust gathering on them, and then turn those things into cash,

using steep discounts or whatever else may be necessary to rid yourself of the costly clutter. That cash can then be better invested in products that work for you as much as you work for them. Yes, you'll probably take a loss on the items you sell cheaply just for the sake of getting them gone. But the cash you generate from those sales can be immediately invested in your business, where it can generate profit. If you consider it this way, the hard cash in hand as a result of your lowball sales is worth more and is more useful to you than having the same items eating up your shelf space from month to month, without earning you a dime.

In conclusion, if you want to increase your efficiency and your bottom line, then it is vital to conduct an honest evaluation of your employees, your customers/clients, and your products, and then to replace the ones that are underperforming with those that instead create value and profit. It may be difficult to part with people, systems, or products that you put into place however long ago, but if you stick with your resolution to remove rotten apples from the barrel, you will be pleasantly surprised at how even minor replacements of underperformers with good ones can quickly increase your cash flow.

Just as a silversmith removes the dross to create a pure and beautiful vessel, so you can discharge the dross of underperforming employees, customers and products to create a more profitable business.

“Take away the dross from the silver, and the smith has material for a vessel.” Proverbs 25:4

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