

Fire Your Relatives. Scare Your Employees. And Stop Whining.

The New York Times February 11, 2010 Conversations

Fire Your Relatives. Scare Your Employees. And Stop Whining.

By KERMIT PATTISON

IT'S not the economy, stupid, it's you. So says George Cloutier, author of "Profits Aren't Everything, They're the Only Thing" (HarperBusiness, 2009). Mr. Cloutier, the 63-year-old founder and chief executive of American Management Services, specializes in advising small and midsize businesses and turning troubled companies around.

His advice is to put profits above all. Always pay yourself first. Shock your laggard employees. Don't accept excuses. His ax falls on trade shows ("they're just a flimsy excuse for a paid vacation"), sweat equity ("I call it working for nothing and being a fool") and teamwork ("vastly overrated"). And if you ever apply for a job at American Management Services, don't mention that you like to play golf. A condensed version of a conversation with Mr. Cloutier follows.

Q. Lots of people blame the recession for putting them out of business. You don't buy it?

A. I'm a little bit of a hawk on that one. The recession has been an excuse for poor performance. Why does your work dry up? Normally because you haven't built a strong enough sales organization.

Q. What do most troubled companies have in common?

A. They have not implemented strong financial reporting. Small businesses fail to focus on the basics — doing your P.& L.'s [profit and loss statements] and paying attention to cash flow.

Q. What are you trying to drive into people's heads when you say, "It's not the economy, stupid, it's you."

A. Look, what happened yesterday is now done. Tomorrow is a new day. I have to cut my costs viciously. I have to spend a great deal more time on my sales and marketing, and I have to stop whining and get to work.

Q. You recommend that businesses never pay their vendors on time. What do your vendors say about that?

A. We tell our vendors, if you're asking for 15 days, forget it. We're going to pay you in 45 days. You don't want the work? Tell me, and I'll find somebody else. You have to work on stretching your payables because every dollar you get in extended payables is an interest-free loan. You have to spend time, go see them and negotiate. Honor your word. But don't think 30 days is a good deal. It's not.

Q. You're a big advocate of micromanagement. What's wrong with hiring people you trust and letting them do their jobs?

A. Getting good people is 100 times more difficult than conventional wisdom says. The fact is, you're going to deal with a lot of mediocre people, no matter how hard you try. You have got to have a system in place to check on how they're doing. If someone says, "I'm going to deliver \$2 million in sales in the first six months," you have to follow that every day. Like Ronald Reagan said, trust but verify. We actually have a button that says, "I'm a control freak and proud of it."

Q. Tell me about being a control freak.

A. I have an extensive control system. I can tell you right now how many sales have been made today with new clients. I can tell you what our bank balances were this morning, how much line of credit I've used, how many people were in the recruiting class we're having two weeks from now. I have a very strong view that you should be carefully monitoring — and intervene early rather than late when you see something going off track.

Q. You tell business owners to forget about being likable. Is there something wrong with employees liking you?

A. You have to treat your people with respect. If they have a personal problem, you have to help them through it. You have to follow the law. But we also need to get things done as asked. The abandonment of that principle is a large factor in the failure of small businesses to achieve real profitability.

Q. Do business owners coddle their people too much?

A. The concept that if you love your employees they'll perform is on the edge of insanity. It's not that you want to hurt your employees, but you have a mission. You're paid to produce results.

Q. Can your employees talk back to you or say, "Sorry, boss, but that's a stupid idea?"

A. We actually did a survey around Christmas of their attitudes toward the company. Two-thirds of them thought the company was changing for the better. We let them write any comments they had. One guy that worked for me for 10 years wrote, "If I fell dead at my desk, George wouldn't notice for two days." Sure, we let them talk back. We like to listen, but you can only listen so much and then you have to make a choice.

Q. What's your view of fear as a management tool?

A. Fear is the best motivator.

Q. Are you a tyrant?

A. I'm sure many people would view me as difficult. If I ask you to do something and you say, "Geez, I don't have enough time to do that." Well, maybe I don't have enough time to sign your check this week.

Q. You say, "Love your business more than your family." What does your wife think of that?

A. Well, she loves me, but I'm not sure she would always agree with that. I'm not saying don't love your family. But if you don't love your business as much as your family, your probability of success is very much lower. Sometimes you just have to put the business ahead of family considerations.

Q. How many times have you been married?

A. This is my third marriage. But you have to look at it this way — it's over 63 years. I've had a lot of spacing between them.

Q. Do you have kids?

A. I never had kids... But I would also say my current wife has not ruled that out.

Q. One might argue it's easier for you to take these hard-line positions because you haven't had to balance family considerations.

A. I would be the first one to say it probably is easier. But the reality is, if you're not fully committed and prepared to sacrifice what many of us would view as the traditional family role, you have a much higher probability of failing in a small business.

Q. What do you think of "The 4-Hour Workweek" [a best-selling book by Timothy Ferriss]?

A. Oh, forget it. I haven't even read it yet. I don't want to die of laughter.

Q. You say the best family business has only one member — in other words, fire your relatives. What's wrong with family businesses?

A. A member of the family, if they're not carefully policed or indoctrinated by the principle of the business, tends to feel entitled. That entitlement is terrible for morale and is terrible for the business.

Q. What about a relative who's highly competent and well respected?

A. They should work better than your conventional nonfamily members. If they don't, parole them. Give them some money to go away.

Q. You say no owner should be satisfied with his business. What dissatisfies you about yours?

A. I feel that I should triple the size of the business over the next 10 years because I'm getting old. I'm a little dissatisfied we haven't done that. I semi-retired for about five years and that was probably something I won't do again. They're going to carry me out of here in my shoes.