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CHAPTER 4

Eliminate Income Barriers

In the previous chapter we defined money leaks as activities that prevent you from growing your bottom line. They cost your business in two ways: 1) in the form of lost revenue and, 2) paying unnecessary expenses. Money leaks differ from income barriers in that income barriers occur when you reach full capacity and can no longer grow your revenue.

You're in business to make money, and in order to generate profit consistently you need to remove any barriers that will prevent you from doing so. There are three income barriers that every business owner should be aware.

1. No business systems
2. No team
3. You

I'll explain why you, the business owner, is an income barrier in a moment, but for now, imagine your business is double its current size. You have double the amount of clients and customers. And, you're making lots of money. That's an exciting feeling, right? Do you currently have the team and systems in place to sustain that level of growth? Or are you waiting for your profits to increase before hiring a team and implementing the proper business systems?

One of the top ten reasons small businesses fail is due to unexpected growth. Business growth can be managed by leveraging your resources by hiring a team and implementing the right business systems.

The Systems

Systems are the foundation on which highly successful and profitable businesses are built. They help eliminate income barriers by taking mundane, time consuming tasks and turning them

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into manageable elements that help save you time, run your business more efficiently, and make you more money.

One of the many benefits of implementing systems prior to a boost in business growth is that you have an opportunity to research and test which system works best for the services and products you offer. Don't get stuck in what can turn out to be an endless cycle of research and fail to decide on a system. Some systems will be perfect for your business and others will not. How you utilize your time will determine whether or not you achieve your business goals.

Systems are more than the software package and tools you use. They are the processes and procedures, oftentimes behind the scenes, that support and grow your business. There are countless tasks that we as small business owners strive to accomplish daily. Systems boost your profits by keeping those tasks from slipping through the cracks.

One of the biggest benefits of utilizing systems in your business is the clarity that it brings. You and your team don't have to guess how to do something or create a solution on the fly. Your business systems will supply the solution.

The Team

One of the top reasons entrepreneurs and business owners don't hire a team is cost. They believe they can't afford to hire someone to help them, and that belief is an income barrier.

When you reach full capacity, hiring a team is a great way to leverage your time and increase your income. Actually, you want to have your team identified and in place so you don't hit any sort of income barrier. Your team can be virtual and/or project based, which simply means that you hire them when you need their help.

A team will help grow your business and achieve your profit and revenue goals in less time. You really don't have to do it alone. Without a team, it's easy to get bogged down with administrative, non-revenue producing activities.

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You may be wondering how you're going to cover the cost of a team when you're barely making enough money to cover your current expenses. As a business owner you need to understand what your time is worth. Let's say you could hire a virtual assistant to handle email and social media for \$35 an hour. While your VA is handling administrative tasks you're able to focus on those income generating activities. If during that hour you were able to generate \$10,000 or even \$5,000 in sales, then \$35 an hour is a small amount to pay.

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Now, there are two mistakes entrepreneurs make when it comes to building a team. The first one is simply not building one. Begin building your team before you need them. The second mistake is failing to delegate those non-revenue producing activities. This is usually driven by fear and lack of trust.

You

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In a conversation with a business owner I asked if she'd posted the information on Facebook that I'd shared with her. She said, "No, because I am not ready, organization wise, to service the clients if they come. I am challenged with stabilizing the work I am doing for my current clients and implementing tools and processes that assist with the flow of work. I must figure that out."

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Now this business owner is good at what she does but she'd hit an income barrier because she lacked systems and she did not have a team in place to support her. In this scenario you can see how the lack of systems and team contributed to the income block but the business owner was actually a barrier as well.

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According to the SBA, one of the top reasons small businesses fail is related to business owners who can't get out of their own way. If you want your bank account to grow (and I mean really grow!), you must implement systems and hire a team that will allow you to focus on the

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activities that move you closer to expanding and growing the bottom line. In other words, you want to focus on those activities that keep your profits in the black—making money!

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Action Step

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It's time to remove any barriers that keep you from generating the income you desire. On a separate sheet of paper, answer the following questions:

1. What administrative / non-revenue producing activities are you completing that can be outsourced?
2. Is there a system that you can implement to automate the activities?
3. What team support do you need to support your business growth?

CHAPTER 5

The Truth About Profits

Enough is enough!

There [I've](#) said it.

Being a small business owner and a numbers girl, I couldn't help but sound off on what seems to be growing confusion and quite possibly misrepresentation about what profits are and what it means to be profitable. According to the [SBA](#), **one of the top reasons small businesses fail is due to poor accounting**, which means they're not tracking and monitoring the numbers. Even if you are tracking this information, let's clear the air and discuss what profits are not.

Profits are not sales.

Profits are not revenue.

Profits are not cash flow.

Don't get me wrong. You need sales to generate revenue and revenue to generate profit. But they are not the same. As business owners, here's the thing to understand, a \$20,000 sale in one month doesn't equal \$20,000 in revenue that same month unless the client paid the entire amount during that same time period. And in those cases where the client received a discount, the sales amount and revenue wouldn't equal.

So what is profit? And what does it mean to be profitable?

Profit, according to Investopedia, is defined as a financial benefit that is realized when the amount of revenue gained from a business activity exceeds the expenses, costs, and taxes needed to sustain the activity. Any profit that is gained goes to the business's owners, who may or may not decide to spend it on the business.

Total Revenue – Total Expense = Profit

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Being a small business owner and a numbers girl, I couldn't help but sound off on what seems to be growing confusion and quite possibly misrepresentation about what profits are and what it means to be profitable. When you're not tracking and monitoring the numbers, you are hurting your business. Even if you are tracking this information, let's clear the air and discuss what profits are not.

When you're profitable, that means you're in "the black" and have access to more resources and opportunities to continue growing your business. If you're in the red, that means your expenses are higher than the revenue generated. Red may be a hot color but it's not good for a business' bottom line.

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In some instances, a business can generate just enough revenue to cover expenses. In this situation, the business is breaking even. That simply means that the business is not profitable.

Truth is profit equals total revenue less total expense. Period.

If a profitable business is what you desire then you'll need to put a system in place to manage your bottom line each and every month.

A financial management system has many benefits that make profit predictable and not a surprise occurrence that happens every now and then. It's important to have a system in place to manage the financial health and stability of your business. This system will help you make better, informed decisions about which strategies will grow and boost the bottom line.

In addition to managing, monitoring, and tracking your business' financial results, below are five more ways a financial management system will keep your profits in the black (making money!).

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1. Takes the guesswork out of how much revenue and profit your business is generating.
2. Stronger controls so your business' financial resources are allocated effectively.
3. Make proactive business decisions versus reacting to situations when you can't easily change the outcome.
4. Clarity about how your business is performing against its goals in the short term and long term.
5. Keeps you focused on your business financial results monthly not just during tax season.

The systems you delay, ignore, and avoid implementing in your business can cost you a lot more than the things you are doing. Your focus may be on generating revenue, but what if you could add

money to your bottom line each month by eliminating money leaks and income barriers. You can boost your profits with better financial control and management, no matter how big or small your business.

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One of my responsibilities when I was in corporate was to analyze budget shortfalls. One of our largest vendors was over budget for several months so I analyzed the order that we placed against the invoices that were paid and uncovered more than \$2 million in variances. How could a multi-million dollar organization miss an issue like this each month? It's simple. There wasn't a process in place to eliminate money leaks such as this and ensure that they weren't paying more than what they ordered.

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The same holds true for small businesses. If you don't have a system in place to manage the bottom line, you stand to lose money. Profits don't just happen, you must put a system in place to keep your bottom line in the black.

Action Step

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1. Do you currently have a financial management system/process in place?
2. If yes, is the system working?
3. Are you utilizing the system consistently?
4. If you don't currently have a financial management system in place, put one in place.

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CHAPTER 6

Charge Like A Business and Not a Blinged Out Hobby

No matter how long you've been in business setting your prices is a major business decision.

This decision will determine whether your business succeeds or fails and whether you make money or lose money. When a business isn't generating profit, two things are usually occurring—they aren't charging enough or the business isn't charging at all for its products/services. If a small business owner isn't charging for some or all of its products and services, the question becomes, is it a business, or is it a blinged out hobby? A blinged out hobby has all the bells and whistles of a business with the exception of generating money.

If you're going to build a profitable business, then you must decide to let go of the CVO Chief Volunteer Officer mindset and be a true CEO. A CVO lets their passion and desire to help others keep you from charging.

This shift from CVO to CEO will allow you to work with clients and customers who are ready, willing, and able to pay for your services. If your time is occupied by clients and customers who aren't paying you or aren't paying enough, you're leaving money on the table.

If you don't believe your products and services are valuable, it will be difficult to set your prices and generate the income you deserve. As a small business owner, you get to decide whether you're running a volunteer agency as the CVO or building a highly profitable business as the CEO.

What Should I Charge?

"What should I charge for my services? Are my prices too high? Are they too low? Should I set my prices to match my competition? What price will generate profit?"

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This is where a fairy godmother might come in handy. But since she's busy doing other fairy godmother work (whatever that may be), I've highlighted **seven key** factors to consider when setting and increasing your prices.

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Survey Your Ideal Client – Surveying your ideal client is a great, low-cost way to get feedback on your pricing. The key is to make sure that your questions are clear so that you receive the information you need to consider when setting your prices. Make sure that you include a question that will ensure that those that responded are truly your ideal client; otherwise, your data could be misleading.

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Your Cost of Doing Business – It's important to identify all costs—direct and indirect—related to operating your business. You want to make sure that your prices will cover your expenses. One of the biggest pricing mistakes small business owners make is basing their prices solely off what others are charging. This isn't a good practice to follow because what generates profit for your competition may not generate a profit for you.

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What Do You Want To Get Paid? – Beyond the cost of doing business, what would you like to be paid for the services you provide? What do you want to be paid for the value that you provide? This is often a cost that many small business owners overlook and don't consider when setting their fees. You deserve to be paid for the value, knowledge, and expertise that you offer your clients and customers.

Red vs Black – You don't have to hope and wish that your products and services generate a profit. Decide how much profit you want to make. Then, build that amount into your pricing. You won't have to cross your fingers each month while reviewing your financials to determine if you're in the red (losing money) or in the black (making money).

Everyone Has A Story – Don't let a potential client's story determine the price you're going to charge for your products and services. If you do, you'll attract more of those types of clients. This

will also make it extremely difficult to forecast cash flow and revenue. If you're in business to generate a profit then follow a set pricing structure regardless of "the story."

Neiman Marcus vs Walmart – Are you the low cost or luxury provider? Which one do you want to be considered in your market and industry? Remember, there's a customer that shops for shoes at Neiman Marcus and there's a customer that shops for shoes at Walmart. And both are making lots of money. You decide who you want to serve and set your fees accordingly.

Have A Set Fee Schedule → It's important to have a set fee schedule otherwise you won't be able to project revenue, let alone profit. Having a set fee schedule doesn't imply that you won't change your fees over time. It just creates a clear pricing structure and guidelines for now. Without a set fee schedule it's easy to let your feelings and client stories drive your prices.

Client Story

A tax professional that I'll call Sharon was experiencing a great deal of frustration because she wasn't making enough money. After I asked about her fees, I quickly discovered that she didn't have a set fee schedule. She was allowing her client's story determine what she'd charge. She would prepare the client's taxes but they would disappear when they got their refund. This left her with a large accounts receivables balance and little cash flow, let alone profit.

As a business owner, you must understand that you get to decide what is and isn't acceptable business practices. Don't allow fear or lack of confidence keep you stuck when it comes to pricing and achieving your revenue and profit goals.

Action Step

Are you charging enough to cover your expenses, to generate a profit, to pay yourself? If you are, congratulations! If not, let's get your products and services priced for profit.

Review the price of your products and services to determine whether you're charging enough to generate a profit.

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