



Be Efficient, Be Organized, Be Profitable

Operations & Organization

Master the Pareto Principle

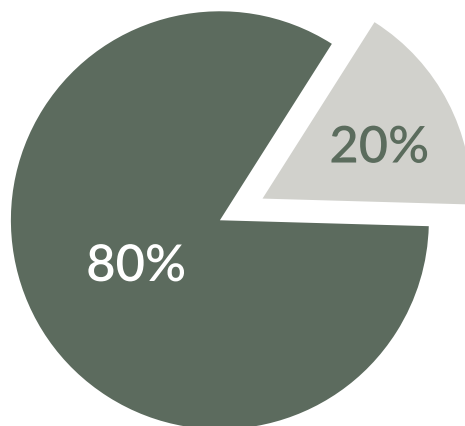
Every business owner I've ever worked with faces the same major challenge in getting their business up and running... TIME MANAGEMENT. As a new business owner, you'll quickly learn that there simply aren't enough hours in the day to accomplish the countless tasks demanding your attention.

That's why it's absolutely critical to the future success of your business that you understand, AND MASTER, the Pareto Principle.

The basic concept of the Pareto Principle is the 80/20 rule, which most people interpret as 80% of our efforts only produce 20% of our results. However, I view this a little differently and believe the key focus should be on this: 20% of our efforts produce 80% of our results.

Unfortunately, too many business owners either don't fully understand this core principle, or they fail to concentrate their efforts in the right areas of their business. In either case, it results in inefficiency and ultimately costs them a lot of money.

Pareto Principle



20% of the input (time, resources, effort)
accounts for 80% of the output (results, rewards)



Let's face it, we all have our strengths and weaknesses and it's only natural for us to focus our time on those tasks that require our strengths.

While this seems like a logical progression, there are a number of other factors that have to be considered first. In fact, the very first step is to apply one of 2 designations to every single task on the to-do list. The designations are:

- 1) Revenue Generating
- 2) Non-Revenue Generating

Now, before I go any further I want to be clear that non-revenue generating tasks are NOT insignificant or unimportant. In fact, many of them are incredibly important. With that said, revenue generating tasks have to take priority when it comes to allocating your time simply because without a heavy focus on creating revenue, nothing else will matter.

I've encountered a number of business owners who were really good at accounting and bookkeeping, planning and organization, etc. While those are great strengths, and certainly valuable, they don't make you any money.

Ultimately, and regardless of where your strengths may lay, it is incumbent upon every business owner to create an efficient sales funnel and learn how to market effectively in order to make money and keep the doors open.

Okay, back to your specific strengths. Let's take a moment or two to focus on you and what you do really, really well (i.e. sales, marketing, organization, etc.):

Strengths:

Later on in this process, we are going to concentrate our attention on the best way for you to highlight these strengths, but I will circle back to that in a bit.





So now it's time for us to insert some practical application to this process. The first step is to identify all of the necessary tasks and/or action items that will make up the sum total of your business operations:

Tasks:

Try to create an exhaustive list and remember that every task is worth doing (and doing well).

Now you need to take it one step further and prioritize your tasks. Each task either qualifies as Revenue Generating (RG), or Non-Revenue Generating (NRG). I want you to look closely at your list and write RG next to each task if it is a Revenue Generating and write NRG if it is a Non-Revenue Generating activity.



It will also be important to prioritize tasks within each of the 2 sub-categories, but I don't want you to worry about that right now. Identifying and separating the Revenue Generating tasks from the Non-Revenue Generating tasks is a really good start for now.

Now, let's circle back to your strengths. In reviewing your strengths and comparing them to the list of Revenue Generating tasks, how well equipped are you to effectively handle the bulk of the Revenue Generating tasks? How about the Non-Revenue Generating tasks?



Do you feel like you connect more with this person?



Or do you compare your strengths to the list of tasks and feel more like this?



Regardless of which category you fit into, understand that you're not alone and you will face some challenges either way.

If you are really good at business development, networking, and sales and marketing, but struggle with accounting and bookkeeping, organization, and follow-up, you will need to learn how to fill those gaps quickly or you will have high accounts receivables, revenue shortfalls, and LEAKAGE.

Conversely, if you are organized, detail oriented, and really good with product or sale delivery, but face a constant battle to network, market, and sell, you likely won't have much money to manage or a true business to keep organized if you can't find a way to generate revenue.

You have to remember one thing, and this is critical, TIME is your most valuable resource and you have to guard that asset closely, protect it, and manage it well.

If you know that a majority of the Revenue Generating tasks are in your wheelhouse, that's a good thing. With that said, you still need to address the Non-Revenue Generating tasks and other areas of weakness.

If your strengths are geared more toward the Non-Revenue Generating tasks, that's not a bad thing. However, you have to identify how we are going to drive revenue.

Let's circle back to prioritizing the tasks, within the subcategories:

Go back to your list of RG tasks and NRG tasks. Using a simple numbering scale, I want to you to rank each task within the sub-categories with 1 being the highest priority. I will give you a hint, business development, marketing and especially SALES should rank the highest of the RG tasks, while product/service delivery, customer service, cash flow management, and oversight of financials should rank highest on the NRG list.



Okay, now it's time to bring all of this together and apply the Pareto Principle and prioritize your time. Remember, the success of the 80/20 rule hinges on you applying 20% of your time (ultra-focused time) to the tasks that will produce 80% of your results.

I'm a believer in scheduling your time. I recall a conversation I had with a client years ago. He told me that he wanted to be focused on selling 8-10 hours a day, 5 days a week. He wanted to be meeting with clients, or prospective clients, all day every day.

I told him this was ridiculous for 2 primary reasons.

- 1.) MAJOR BURNOUT... FAST! This would be a great schedule for a dedicated sales person, but NOT for the owner of the business.
- 2.) Unless he had an unlimited operation budget that would allow him to hire and train operational people to handle EVERYTHING else (which he didn't have), his business would fail inside of 6 months. How would he possibly ensure proper product/service delivery, customer service, business development of new products/services, cash flow management and financial oversight, etc.?





Instead, I recommended that he create a schedule with specific time blocks for all of the high priority tasks while he builds his business. Focused time, uninterrupted, specifically to address the action(s) that time block is allocated for.

I was able to help him realize that if he spent 3 days selling, limiting himself to 5 appointments per day, he would make more sales than if he went with the volume approach. Additionally, he would be able to spend more time with each client. This would lead to stronger relationships built for the long-haul.

He would also find the time devoted to the non-selling tasks would be a refreshing change of pace and allow him to familiarize himself with every aspect of his business. This would

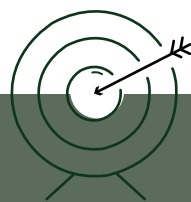
pay huge dividends in the future as he grew and scaled his business and added key staff personnel (I will talk more about this in Module 2).

At this point, I want to make one more thing very clear. When creating a schedule with dedicated time blocks, it's imperative that you honor the schedule. Yes, unforeseen events do come up at times, forcing you to adjust, but as much as possible you have to stick to the plan.

I want to conclude this module with this: The need for effective TIME MANAGEMENT will not decrease as you scale your business. On the contrary, it will be even more essential and by learning how to master this concept now you will be well equipped to maintain the practice as your business grows.

Policies & Procedures

As we just reviewed, understanding the Pareto Principle and effective time management is critical to the success of your business. Equally important is creating actual policies and procedures that identify:



- What needs to be done
- When it needs to be done
- Who is the one that needs to do it
- AND HOW each task needs to be completed

In fact, it's so important that every single successful business owner I've ever worked with has invested the necessary time to creating a policy manual.

YEP, I get it... You're probably thinking that this is a valid concept, and certainly worthwhile in a perfect world, BUT there are way too many other things to focus on right now.

In fact, you may even be ready to remind me that mastering the Pareto Principle is all about time management and staying focused. HOW can this possibly be a priority?

I understand the thought process, but stay with me here. There are numerous benefits to creating a clearly defined set of policies and procedures, but I will start by focusing on 3:

Accountability:

Countless studies have produced overwhelming evidence that shows we are much more likely to achieve our goals when we have clear accountability in place. I believe that the saying “anything worth doing is worth doing well” is applicable here. When you have a million tasks on your to-do list, having measures in place to ensure that you are doing them correctly (and doing them well) is paramount to operating your business efficiently.

Efficiency:

When you are juggling so many balls in the air, it can be challenging to remember how to fully complete each action in the most efficient, effective manner. This is particularly true when it comes to less frequent tasks that you may not perform all that regularly, but when that task requires your attention you need to be able to accomplish it quickly. I don’t know about you, but I often forget how to do certain things (just ask my assistant Taylor). When we invest the time on the front end to clearly document each step, we are able to manage the task quickly, and effectively when the time comes to address it.

Scalability:

Anyone who has ever started a business needs to start preparing for the future on day 1, because the future is coming whether you are ready for it or not. If you've never hired and/or trained an employee, you have no idea how much easier this process is when you have clear policies and guidelines that can easily guide ANYONE through a procedure from start to finish. If you are going to grow your business, you need to be prepared and have the ability to onboard a new employee, and train them, as seamlessly and efficiently as possible. I promise this will make your life a LOT easier down the road.

There are many other reasons to create a Policy Manual (as previously stated), but I wanted to highlight the 3 most critical for now.





So now that we know we need a Policy Manual, what are the steps for actually creating one?

If you're hoping for a highly sophisticated explanation I don't want to disappoint you, but you're not going to get one.

With that said, I AM going to walk you through what this looks like and provide you with some real, practical application so that you can develop a strategic, quality manual.

Understand one thing, right now is not the time for fancy and/or sophisticated. In the early stages of your business it is all about practicality.

The first step is to review the list of Revenue Generating tasks, and Non-Revenue Generating tasks,

respectively, that you created during Module 1.

Next using Word, Google Docs, or any other word processing application that you are most comfortable with, start with the tasks that you are most familiar with and adept at doing. Simply write out, in detail, the process for completing that task starting with Step 1, Step 2, and so on.

Make sure you start with a header for each task and then list the steps, in order, in bullet point format or in a numbered sequence. Include as much detail as you possibly can and insert some screen shots whenever possible (visual aids help). It may be helpful to imagine explaining the task to someone who's never done it before and isn't familiar with your business.

Here is an example (minus the screen shots):

- 1.) Open CRM program
- 2.) Select “Contacts”
- 3.) Select “Create New Contact”
- 4.) Enter Contact Name, Business Name, Business Address, Business Phone#, Cell Phone#, Email Address, and Website Address.
- 5.) Finally, add the contact to the appropriate email distribution list (general, client, etc.).

While the steps listed are pretty self-explanatory, adding screen shots with the various screens the user will see as they work through the process, including showing the mouse highlighting the correct button or tab to select, will make it FOOL PROOF... and trust me, that is the goal of this exercise. You want to make the process so painfully simple that anyone can do it.

Remember, you are creating a living document that may be used and interpreted by a wide variety of individuals. The more self-explanatory the policy manual is, the better it will be for EVERYONE.

At this point, you may be wondering how comprehensive to make your operations manual and how much time do you devote to attacking the whole thing right now?

I refer back to my previous statements about simplicity (let's not re-create the wheel here). Let's prioritize and focus on the most pressing responsibilities first. Some examples might be:



- Sales Process (what is it?)
- Client On-Boarding (what are the steps?)
- Product/Service Delivery (what does work flow look like?)
- Accounts Payable (when do you process?)
- Accounts Receivable (what are your payment terms & how soon do you follow up?)





Obviously these are just a few examples of tasks that rank high on the priority list. It is very important to map out, and document to the best of your abilities, the many variables that are present in each of the different categories. Remember, this manual is intended to save you time, money, and resources down the road. It is an important tool in the TRAINING process.

Let's face it, the vast majority of us like to think about closing the sale and watching the revenue pour in... But you need to focus on what comes after you start offering your product or service. From the brand development and marketing, to the interested buyer prospect, to finally taking the sales order and collecting the money (there's a LOT that comes in between).

As I close out this section, I want to focus on the primary takeaways in this module:

- 1.) Create policies for the highest priority items first. These are the most important aspects of your plan and they should take precedence.
- 2.) Create policies for those tasks that are lower priority or that are less frequent **AS YOU COMPLETE THEM**. In other words, the first time you reconcile your bank statement or credit card statement, create the policy at that time while you're working through it the very first time.
- 3.) Remember that this will be a working document. As your business grows you will be making additions, revisions, and other necessary modifications. What you create now won't be the final product (and shouldn't be), so don't worry about how it **LOOKS**. Focus on including detailed content, while still being concise and not over complicating it.



- 4.) As you operate your business and complete the various tasks more repetitively, you WILL find better, more efficient ways of doing many of the action items. This is to be expected and simply make revisions to the policy manual as you discover better processes and procedures.
- 5.) When the time comes to add your first employee, I recommend the following:
 - a.) Hire someone capable of taking on a number of these administrative aspects of the business and turn the policy manual responsibilities over to them once they are properly trained.
 - a.) A detailed Employee Handbook and Employment Agreements for each employee. This is more complex work with employment law constantly changing. I will be able to provide you with the necessary assistance you need when the time comes.



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