

TURNING LESSONS INTO HABITS

Barry Moltz

“IN ORDER TO MOVE YOUR SMALL BUSINESS FORWARD, YOU NEED TO CHANGE WITH THE MARKETPLACE.”

Developing effective habits is key to success as a small business owner. In the beginning most patterns get created without much thought—they're based on instinct or the easiest path to getting something accomplished. But as your company develops, you need to develop new habits on the basis of the best practices of other successful small businesses and small business leaders. Here are three main areas I encourage all small and medium businesses to focus more energy on and develop new habits around. These three areas build on the lessons and skills you've developed throughout this Small Business Bootcamp, and each area includes custom exercises and templates that you can download, print and complete to begin work on your new healthy habits:

FINANCIAL HEALTH

Many small business owners have limited experience managing finances when they're just starting out. But there are plenty of smart financial habits you can develop to make a big difference in the bottom line of your company (and in terms of how much money you're able to pay yourself). Included on the HP Printables site are a worksheet for evaluating and scoring your business's financial health, 10 tiny financial habits, a budget-tracker template for small business success and a budget-tracker template for your business.

CHANGE MANAGEMENT

Change is hard for everyone, because our brains fight against it. Your brain always thinks it's safer to keep doing the same thing than it is to do it differently. But in order to move your small business forward, you need to change with the marketplace. The Change Exercise on the HP Printables site will show you how to proceed step-by-step to accomplish the change you want—and then do it again.

ACCOUNTABILITY

One of the biggest problems you face every day is having to actually accomplish what you set out to do today or this week. But many days turn into a hamster wheel, and unfortunately, the end of today looks a lot like yesterday.

You start with the best intentions to get the most done each day in your business. But somewhere along the way, you get interrupted, delayed and taken off track by the people and things around you. The Accountability Exercise on the HP Printables site offers you steps to take to be more accountable to yourself and get everything on your list done every day.

“YOU START WITH THE BEST INTENTIONS TO GET THE MOST DONE EACH DAY IN YOUR BUSINESS.”



Barry Moltz helps small business owners get unstuck. He has had a lot of success and failure while growing his own companies over the last 30 years. As a small business expert, Barry is a six-time best-selling author. He hosts the Small Business Radio Show on AM820 in Chicago and all podcast platforms. Find him at barrymoltz.com or on social media [@barrymoltz](https://twitter.com/barrymoltz). Sign up for free chapters of his new book at changemastersbook.com.

FINANCIAL-HEALTH SCORE

FIVE-MINUTE FINANCIAL-HEALTH SCORE FOR SMALL BUSINESSES

For many small business owners, it is difficult to evaluate monthly the financial health of their company. They are not trained in reading financial statements. Here is an easy assessment they now can use regularly and compare it to previous periods. It is not meant as a way to bypass reviewing the financial statements, but another means to measure your company's financial health.

1. DOES YOUR SMALL BUSINESS HAVE POSITIVE OR NEGATIVE CASH FLOW?

What this means: Do you have more or less cash at the end of the month?

Where to find it?

1. Bank statement. Look at the beginning cash balance and the ending cash balance.

Do you have more or less at the end of the month?

2. Cash-flow statement from your accounting system. Look at the beginning cash balance and the ending cash balance. *Do you have more or less at the end of the month?*

If you have more cash at the end of the month, add one point to your total.

2. WHAT IS YOUR CURRENT RATIO?

What this means: It's the total current assets divided by the total current liabilities.

Where to find it? Your balance sheet from your accounting system.

If it is greater than one, add one point to your total.

3. DO YOU HAVE MONTHLY ANNUITIES FOR REVENUE?

What this means: Your business gets repeat revenue automatically every

month from a subscription or contract without having to sell to a new customer.

Where to find it? The revenue or sales line on your profit-and-loss statement.

If you have annuity revenue, add one point to your total.

4. WHAT PERCENTAGE OF REVENUE IS YOUR GROSS PROFIT?

What this means: Revenue (sales) minus the cost of goods or cost of service.

Where to find it? Your profit-and-loss statement from your accounting system.

If your gross margin is higher than 50 percent, add one point to your total.

5. MORE FIXED VS. VARIABLE EXPENSES?

What this means: Fixed expenses are usually all expenses in your business except those directly related to the cost of providing the product or service you sell. For example, rent, marketing, internet service and travel.

Where to find it? Your profit-and-loss statement.

If fixed expenses are less than 20 percent of sales, add one to your point total.

EVALUATE YOUR POINT TOTAL: _____

FOUR OR FIVE: Congratulations! Your small business is healthy and well positioned for 2021. Grow on!

THREE: At risk! Key financial parts of your small business need to be improved. You are vulnerable to changes in the market.

ONE OR TWO: Danger! Too many parts of your business are unhealthy, and your company risks going bankrupt in 2021. Find help!

TINY FINANCIAL HABITS FOR SUCCESS

1. Read your financial statements monthly
2. Use a budget and update once a year
3. Invoice weekly or more frequently
4. Limit customer credit
5. Collect payments faster
6. Pay vendors on time with a credit card
7. Minimize inventory and maximize usage
8. Make more expenses variable
9. Guard your cash jealously
10. Borrow money for quantifiable returns

BECOME A CHANGEMASTER

THE 20 STEPS TO EXECUTE A SUCCESSFUL CHANGE

BEFORE YOU START

In order for this to help you, please set aside 20 minutes initially to thoughtfully go through the questions. Be very specific and intentional in your answers; write down specifics, not generalities. Do not avoid the tough questions or rush to complete this exercise. If you get stuck before #9, stop and come back to the exercise after you have had time to think about it. Remember: this is not a timed exercise that needs to be completed; instead, it's a way to make a change in your business and life.

PART 1: BE THE CHANGE

1. What is the change you want to make?

Insight: Be specific and keep it small to start. To fight the brain's not wanting to change, pick something that you see as incremental. Remember: big changes are very hard to make all at one time. Permanent change happens a little bit at a time. Example answer: I want to start reviewing my small business's profit-and-loss statement every month.

2. How are you currently doing the thing you want to change?

Insight: Do not judge it—just say it. Be honest and kind to yourself. Example answer: I review my profit-and-loss statement only when my accountant asks me to.

3. Why do you want to make the change?

Insight: Change must come from an internal motivation, but it could be thrust on you by outside forces. Express the pain or discomfort you are feeling that drives you to make this change. Example answer: I never have enough money at the end of the month to pay all my bills.

4. What will happen if you do not make this change? Be specific.

Insight: Typically, the cost of not making a change is a financial loss or at least emotional distress. A lot of change is made out of fear of what will happen if the change is not made. Example answer: I will not be able to pay my bills, and it keeps me up at night.

5. What specifically inspired you to make this change?

Insight: This must come from within, not from someone else telling you that you must make a change. Example answer: I do not have enough cash to do the things I want in my business or my personal life.

6. What makes you uncomfortable when you think of making this change?

Insight: Part of the fear of change is what will happen if we are successful. Example answer: That I will either become overwhelmed with the information because I can't understand it, or I will find that we are in a worse financial situation than I thought.

7. Who is one person that can support the change? Why are they the right person for this job?

Insight: Change happens only with a support system. This can be a friend or mentor who will keep you accountable but at the same time not judge you. Example answer: My mentor Rick. He always has an outside perspective based on his years of success and mentoring others.

8. What can they do to support you in this change? Name a specific action.

Insight: Is this a quick call, a longer conversation or an email check-in? How frequent is it? What action will they be obligated to take? Are they willing to make that commitment? Example answer: Once a month, I would like to email him to tell him about my progress or challenges and have him help me with my progress.

STOP! REREAD THESE TOMORROW AND MAKE ANY CHANGES TO ANY ANSWERS.

Repeat this step until you do not make any changes the following day. Even though you may want to, do not skip this step!

PART 2: MAKE THE CHANGE

9. What is the smallest step you can take to move toward this change? Be very specific. Insight: Think small and incremental. In this way you increase your chances of success. Example answer: Ask my accountant or bookkeeper to review just the sales and net profit from last month and to compare it to past results by the 15th of each month.

10. What positive affirmation or reward can you give yourself after you complete the first small step? Insight: Go ahead and pat yourself on the back! Rewarding yourself for completing this action will help you fight the discomfort of the change. This is a reward for taking any action, even if you were not successful. Example answer: Treat myself to a bowl of French fries with lots of salt.

11. Share the success or failure of this step with your support person.

Insight: Do this without self-judgement. Being too hard on yourself will increase your chances of quitting.

12. After talking with your support person, rate your success on accomplishing this step from one to five (lowest to highest). If the rating was not four or five, what could you do better next time? Insight: Be honest about your progress and rating. You can have your support person rate you as well.

14. How did your success (or failure) reinforce your inspiration or your fear of change? This step is not to criticize you but to learn from how the results reinforced either your inspiration or your fears.

15. What is the next small step you can take to move toward this change?

Example answer: Review the major expenses on the profit-and-loss statement and compare them to past results.

16. What positive affirmation or reward can you give yourself this time after this is completed to fight the discomfort of the change?

Reap the reward regardless of whether you were successful or not. The reward is for taking the action of the step. Example answer: Go for a bicycle ride during work hours.

17. Share success or failure of this next action or step with your support person.

Do this without judgment. Being too hard on yourself will increase your chances of quitting.

18. After talking with your support person, rate your success on accomplishing this step from one to five (lowest to highest). If the rating was not four or five, what could you do better next time? Be honest about your progress and rating. You may have your support person rate you as well.

19. How did your success (or failure) reinforce your inspiration or your fear of change? This step is not to criticize you but to learn from how the results reinforced either your inspiration or your fears.

20. What is the one thing that will help you not give up on making this change? Refuse to give up on this change until you have gone through all the steps. You may have to do this multiple times. If you consistently fail to complete the steps for this change, try the process again with another change that will be easier to accomplish first.

ACCOUNTABILITY 101

HOW TO IMPROVE YOUR ACCOUNTABILITY

One of the biggest problems we face every day is being accountable for the changes we want to make. We simply don't do the things we say we will accomplish. We set out on a daily course that turns into a hamster wheel, and unfortunately, the end of today looks a lot like yesterday. We start with the best intentions to get the most critical tasks done each day in our businesses. But somewhere along the way, we get interrupted, delayed and taken off track by people and things around us. Somehow we end up doing the same thing over and over again and expect different results.

DOES THIS SEEM FAMILIAR?

- You are overwhelmed by the number of tasks that you need to do daily
- You have difficulty dealing with too many projects to complete at one time
- You can't prioritize what is most important, and this freezes you
- You are constantly interrupted
- Things take longer than you thought to accomplish
- You would rather do it yourself than delegate to others
- You are always working, and there seems to be little downtime for personal activities

HERE ARE THE STEPS TO TAKE TO BE MORE ACCOUNTABLE TO YOURSELF AND GET EVERYTHING ON YOUR LIST DONE EVERY DAY.

STEP 1: LIST ALL YOUR CHALLENGES

What is your biggest challenge (or challenges) in each of the following areas?

Sales and Marketing

Leadership and Management

Finance and Money

Providing Excellent Customer Experience

Personal and Team Productivity

What gets in the way of your being accountable for the things you want to accomplish daily?

STEP 2: PICK YOUR CHALLENGE AND GOAL

From the list in step 1, pick one challenge you want to focus on and list it here:

What is the goal for overcoming this challenge?

What are the three critical success factors that are important to accomplishing this goal?

In other words, what specific things have to happen to achieve that goal?

1

2

3

For each critical success factor, what is the first action you need to take to achieve it?

Critical success factor 1 action:

Critical success factor 2 action:

Critical success factor 3 action:

STEP 3: YOUR TO-DO LIST

If you want to be more accountable and get more done, then you need to be ruthless in your prioritization of your to-do list in these categories.

IF A TASK IS

URGENT AND IMPORTANT:	DO IT NOW!
URGENT AND NOT IMPORTANT:	DELEGATE IT TO SOMEONE ELSE!
NOT URGENT AND IMPORTANT:	SCHEDULE IT TO BE COMPLETED AT A CONVENIENT TIME!
NOT URGENT AND NOT IMPORTANT:	DELETE IT FROM YOUR LIST!

NOW TAKE YOUR TO-DO LIST AND CATEGORIZE EACH TASK WITH THE CORRECT LABEL.

Of all the things on your to-do list, what is the most important to get done right now?
