



SOLUTIONS FOR BUSINESS OWNERS

Are you working below your pay grade?

So many entrepreneurs wear so many of the hats in their business that they lose sight of the fact that many of the functions they carry out are at a level that is way below the real value of their time. By failing to hand off menial tasks they are, effectively, working way below their pay grade.

Effectively working? Hardly! The problem, of course, is that they aren't working effectively at all. Many small business owners have to be the chief employee as well as the entrepreneur, and it is all too easy to get dragged down by the tyranny of the urgent and lose sight of the fact that they are carrying out tasks that should be handled by somebody paid considerably less.

There are a number of problems that need to be considered here, but the start point is to establish the value of your time.

There are several different methods for doing this:

Cost-plus. This looks at what you are actually paying yourself and factors in all of the fringe costs (payroll taxes, 401(k) etc.), and hopefully some of the overhead. This is a ridiculous concept that has, at its core, a self-defeating circularity. The more time you spend doing tasks that don't have big-picture potential the less you will be able to afford to pay yourself and the less your time will be worth.

Opportunity cost. This looks at the value of your time if it was spent on the most important aspects of your business rather than on the mundane aspects that tend to mire owners in unprofitable behaviors. Anybody who has read anything else I have ever written knows where I am going with this and will quickly appreciate that the opportunity cost approach is the only one that makes sense if you are serious about growing your business.

So how should an owner put a value on the opportunity cost portion of their time? Unfortunately this is anything but an exact science but the effort involved in making the calculation is well worth it if any progress is to be made in dealing with the time management inefficiencies that lie at the core of so many small business issues.

In making the calculation, think about what you do that contributes most to the success of the business. Does it match your core ability and do you have a passion for it? Eliminate, for a

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moment, the trivial tasks that clog up your day and think about what you do that has the greatest impact on:

TACTICAL TASKS

Increasing top line revenues

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Closing new sales

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Customer retention

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Improving Gross Margins

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Increased Productivity

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Improved Profitability

\$

STRATEGIC TASKS

Planning – Strategic, Marketing, Exit

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Acquisitions and Disposals

\$

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Developing New Products and Services

\$

Identifying New Markets

\$

Building Equity in the Business

\$

When you focus on these CEO activities, what value do you create? What is the value of your time when you are engaged in these activities?

I have seen business owners put the value of their time as low as \$125 an hour. While that may be true for much of how they actually spend their time, their value when they carry out CEO activities is much higher.

In thinking about this, it is important to remember that none of us work at our most productive level all the time, and in going through this exercise is important to remember that we are only talking about the value of our time when we are at our most productive.

Depending on how effective you are, the value can be \$500 an hour or more. The important thing is to calculate a number that you feel comfortable with. When you have that number, even if you put it lower at, say \$300 an hour, think about what percentage of your time is actually spent working at that level.

As you go through your day you will find yourself performing tasks that are below your pay scale. Start to identify those areas and think about how they could be performed by somebody else at considerably lower cost, freeing you up to work on things that really have an impact on your business.

Please also visit our Fan Page on Facebook....***It's TIME to Manage.*** We are creating a community of people who feel that they could use their time more productively. We'll post ideas and invite people to share things they do that work for them. ***Become a fan*** and check

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back regularly to see what's going on as this will be a great place to find and contribute ideas and techniques for improving your time management skills.

<http://tinyurl.com/sd-timetomanage>

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