

CONTRACTOR SUCCESS TIPS

How Contractors Can Make
More Money in Less Time
and Have More Fun



by Paul Sanneman

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INTRODUCTION

Hi. My name is Paul Sanneman. I've been working as a consultant for over 30 years. During that time, I've worked with many different kinds of businesses. I've worked with very large businesses such as banks, and with very small businesses, such as an ice cream shop. I've also worked with many service-based businesses such as health clubs, doctors, and attorneys. After all those years, and hundreds of clients, I've decided to focus on one particular type of client: the small general contractor.

I love the construction industry, and whether it's a remodeling contractor, an architect, or a subcontractor, I find the most joy and success in working with these kinds of people. I personally find this group the easy to relate to as individuals. Also, as a group, they have the greatest sense of integrity of any group I've ever worked with.

In this book: “Contractors Success Tips”, I have laid out the principles that have served me so well over all these years. I've found that over the last 30 years these principles have changed very little, so, I share them with you, my favorite client: the general contractor. I know they will serve you well.

The first chapter may seem a little esoteric, but all businesses are based on the belief structure of the owner. I think it's important that you establish a belief structure that will lead you to success. Keep in mind when reading this book that it's much easier to know what to do than it is to do what you know.

For example, to get in shape, everyone knows that you need to eat right and exercise. Getting people to actually *do* it has created a multimillion dollar industry.

Over my many years as a consultant, knowing *what* people should do has always been the easy part. It's getting them to do it has always been most difficult. This book has information that will guarantee your success as a contractor. You just have to do the work of implementing it. If you do this, I promise you it will make all the difference.

CHAPTER ONE:

Genetically Engineering Your Business DNA

Some businesses just seem to be perfect. You look at their profitability, and the ease with which it seems to happen, and if you're honest with yourself, it even makes you feel a little jealous. A more practical reaction, though, is to ask yourself: "How did the owner of this company create this 'dream business'?"

So, how *do* you create your dream business? The first thing you have to ask yourself is, if you look around the room where you're sitting right now, reading this, where did all the things in this room come from? Where did the table originate? What about that chair you're sitting on? They didn't just appear there. Everything in this room started out as no more than an idea in somebody's mind. Even the room itself was once nothing more than a gleam in the eye of its creator. In fact, this extends to everything and anything that you can think of; anything that's man made. It's all the product of someone's mind.

For anyone who wants to be successful in business, it's very critical to understand this. People who don't grasp this simple concept end up going

about things the wrong way. It's as if they're trying to steer a car by turning the rear-view mirror instead of the steering wheel. How reality is created in your world view is very important, so I'm going to let you in on my view of how it's done.

Let's use the analogy of an IMAX movie. At the beginning of the movie, there's light. You see light and indiscriminate energy, and at first it doesn't seem to have any pattern, it's just a white light. Pretty soon, though, this white light begins to pass through a film strip, and that film strip gives the light definition. All of a sudden there are mountains, houses, maybe a lake or a river, whatever is there on the film strip. The strip filters the light, and it gives it definition. This goes through the lens, and the lens focuses that definition onto a screen, and we have a movie.

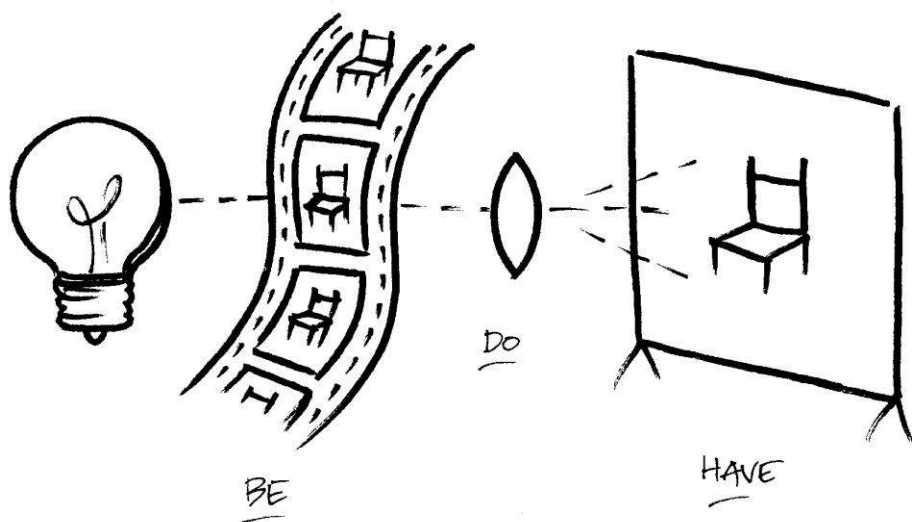
Let's apply this same analogy to the question of how the chair got here. This chair, this very real thing that's stopping you from falling to the floor, also started out as indiscriminate energy. Someone had the idea of a chair in their mind. Then they took that idea and put it into focus. That is, they took action. By putting their idea into action, they created your chair.

Your business is no different. It started in your mind. At some time in the past, it was just an idea. You said, “I’m going to start a business. I have this great idea that people are going to love.” Then you took that indiscriminate energy, and you began to focus on whatever your business had to be. Whether you started out as an architectural firm, or a small contractor, or any kind of business, that idea in your mind took form, and then you did the things you had to do to make it happen. You took action, and that action created the business.

Another way of looking at it is that there was this state of being that you were in, which allowed the idea to come. We’ll call it the “be” state; a state of thoughtfulness. You’re being thoughtful, you’re thinking about your business. Then there is that “do” state, where you take action. Finally, there is the “have” state. Now you’ve put your thought into action. Now you “have” the business up and running.

Be/Do/Have

The “be” state is the thought pattern that gives your business its eventual form. It’s like the film strip through which the light projects. The “do” state is like the lens, which focuses the action, and the “have”, is the final result, the whole movie, which is your business.



Unfortunately for them, a lot of people have this sequence backwards. They think, “If I only had a million dollars, I would do good things and I’d be happy. Or if I had a bunch of great customers then I would do great customer service and be thoughtful. Of course, it doesn’t work this way.

The good news, though, is that if you follow the correct order of “be”, then “do”, then “have”, it does work. The most important thing is what you’re thinking, the conscious thoughts that you have all day. The great thing about this sequence is, not only is it free, it will never run out, unlike money. Let’s say I had a million dollars for capital. When we’re thinking about these states in the wrong order, it seems like with that amount of

start-up money, I could easily get together a business that would work, right? Wrong.

For instance, when you track people that have won the lottery, a lot of them end up losing the money because they're not doing the right kind of thinking. They win the money, and they go about spending and investing it aimlessly, without putting a lot of thought into it, and it seems like it can never end.

...But one day, it does. There's no more money, and the person is right back where they started. Time to go back out and get a job!

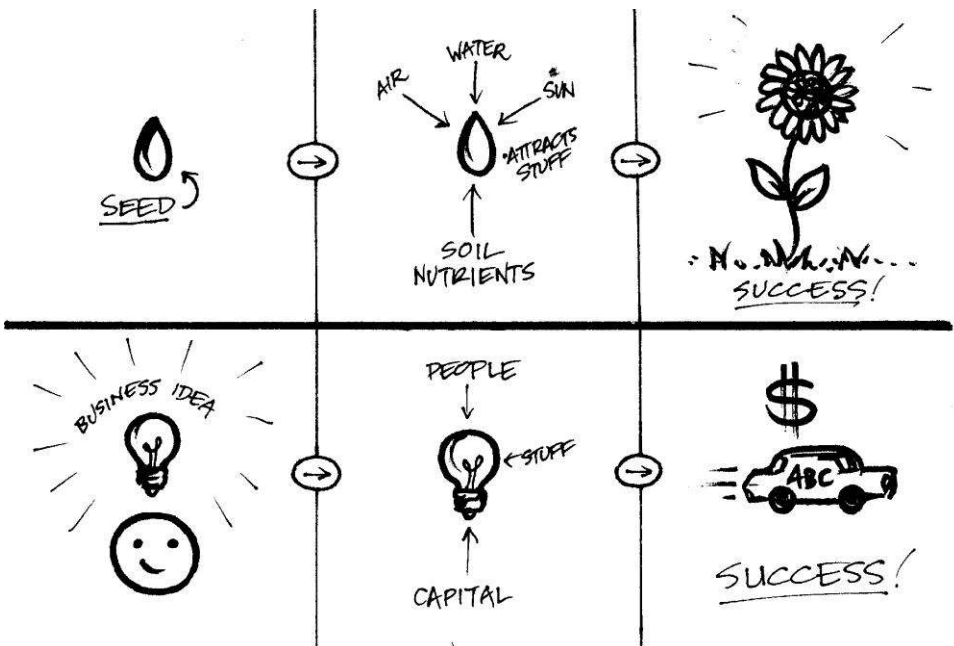
On the opposite end of the spectrum, there are people who have declared bankruptcy, but they've never stopped holding on to the *idea* of wealth. They've created wealth over and over again, and with this kind of thinking, it's likely that one day they're going to find that magic combination that will make it last.

The most crucial of the three states, then, for your business, is the “be” state: simply enough, what you're thinking. You can also look at it like a sunflower seed. If you're looking at a sunflower seed that you have in your

hand, the question is, where is the sunflower? To answer that question, it helps to ask another one: *What* is the sunflower? Well, it's actually just a pattern inside that seed, the DNA, the genes, that are inside of it. These genes attract the resources: water, air, nutrients, that the seed needs to grow into a sunflower.

...And, presto! A sunflower actually does show up.

It's no different with your business. Your thought, the product of your “be” state, is your business’s DNA. Keep it close and it will help you to attract the resources that you need for your business to “bloom”.



Business DNA

Unfortunately, a lot of us have a little flaw, an annoying sort of genetic mutation, in the DNA. For example, when a child is born, if it has forty three chromosomes instead of forty two, the child may have serious problems: down's syndrome, autism, deformity, mental problems, or what have you. To illustrate this, let's say that when you start your business you have thoughts along the lines of: "Damn it, I can't seem to find any good employees." Since your thoughts are the DNA of your business, this isn't going to work. You need to think positive, get your DNA straight, as it were. If you think negative, your prophecy will be self-fulfilling, and you're going to attract those weak employees, partly because you've subconsciously lowered your own expectations of what's possible. Because you believe that you cannot attract good employees, you attract the not-so-good ones.

So you keep hiring more employees, and when things aren't working out, then you blame the market. You blame your advertising. You blame whatever's convenient to blame, blind to the fact that the real problem is with the DNA of your business, with your thought process.

If you want to know what the DNA of your business looks like, what its flaws and strengths are, you just look at your outcomes. If you have a hard time finding good people, or raising capital, or collecting accounts receivable, it's a result of your business DNA. Especially for a small contractor, or other small business, the DNA of the business is a direct result of the habits of the business person. If you have a problem trusting people, for example, you'll have a bunch of employees who are showing off to you, trying to gain your trust. Not only is this distracting, but it's all for nothing. If you don't change your thinking and acting around this issue, they can show off all day and all night, but you're still not going to trust them. The problem is yours, not theirs.

Remember: *all employee problems are really your problems.*

If you have a hard time holding onto money, you will find that your business has no cash flow. If you feel self-conscious about asking for things, you're going to have collection problems. Often when people ask me to do business consulting, what will happen is I say: "Well, if you raise the capital, and you find some good people, and you find some good customers, we'll see what we can do." That's working on the end result, though, it's not working on the cause. So I say: "Just kidding. What we

have to do, really, is start completely over. We have to work on your business DNA. It's all about your thought patterns. It's all about what you're thinking.”

Unless you can change those thought patterns –which is harder than it sounds: you're literally re-programming the synapses in your brain, no matter how much work you do on the outside, it's not going to do any good. When you look at your business and you see something you want to change, you need to go back to where the problem really originated. Don't look at the results yet, except in relation to what the outcomes you're experiencing might have to do with problems in your thinking. If you find outcomes you don't like, don't blame the market, and don't blame your employees. Don't blame anything but yourself, in fact. Go back to square one, and say to yourself: “Okay. What is it in my business DNA that has created so many negative outcomes, and what parts of the DNA are allowing me to attract good outcomes?”

Say you've attracted, for instance, your ideal customer, whatever that means to you. They pay on time, and they're a pleasure to deal with. Yet, for some reason you haven't been able to attract any good employees. Take a look at what the most attractive elements of your sales pitch are,

and try to move those elements into your hiring procedure. You need to go back and reprogram yourself, sort of do a little genetic engineering on your brain. Thankfully, it's a lot easier than the real thing!...Which is encouraging, but still, it's not exactly a super easy thing to do. If you don't do it, though, if you don't take the time to make the changes, all your other efforts will be wasted because of this one flaw that keeps holding you back.

Let's say you have a basic sort of “defect”, let's call it, that somewhere inside yourself you feel like you don't deserve money for some reason. If it happens that you start a business and you end up making a lot of money, almost inevitably something will happen, somehow, that will cause you to lose that money. If you go on blaming the economy or your employees for this, it will keep happening. It's easy to shift the blame for catastrophes. Maybe it's a bad pick of a business partner, or your marriage fell apart, or your kids aren't doing well in school. The natural tendency is to want to shift the blame away from yourself. Some of what you are saying may even be true, but it doesn't really matter. You would have blown it anyway. If you were honest with yourself, you would admit that the real reason why bad things are always happening to you is because of this defect in your DNA.

The good news is, there *is* genetic engineering! You can go back in and you can actually re-program your sub-conscious to help you, instead of hurt you.

So remember, the most important thing for your business, the thing that's really going to make or break it when it comes down to it, is your business DNA. It's your basic thought pattern, it's what defines you, and because of this it's going to have an impact on every single area of your life. It's impossible to control what comes into your mind, but you can control what you put in there yourself. If you remember this, I'm sure you'll be successful at replacing bad thoughts and their bad outcomes with positive ones.

CHAPTER TWO:

The Three P's

There are certain types of business models that almost always work, and others that almost never do, no matter how much effort you put into them. In this chapter, I'd like to let you in on the secrets of some of the business models that do work, and why they do. The first model is called "The Three P's".

The first "P" is for purpose. We all have a purpose. It's why we get up in the morning. People who don't have a clear purpose beyond just existing tend to drift through life in a depressed state, while their lives fall apart all around them. Because of this, it's very important to have a clear purpose.

I believe that everybody is here for a purpose, whether they perceive it or not, and your business ought to reflect your purpose so that your work can be fulfilling for you. Otherwise, you'll just end up going through the motions, and this can eventually hurt your business, not to mention your life. If your business isn't aligned with your purpose, you're going to run into problems. If you're a vegetarian, for instance, you cannot run a cattle

ranch. It doesn't matter how financially successful you are with it, it will never feed you emotionally. The most important thing is that you find your purpose in life, and make your business reflect that purpose.

Some of us think that we're here by accident. This kind of person looks at all of life and creation as a sort of cosmic mistake or coincidence. To them, it could just as easily not have happened that we are here. I subscribe to opposite point of view. I think we're here for a reason, each one of us. We may have to search deeply to find out exactly what that reason is, but once we do, we'll have given our selves that sense of purpose that is so important to being successful in business and in life.

It's important, and I can't stress this enough, for your business to be in alignment with your purpose in life. My purpose in life, for example, is to help people succeed, in line with my goals and values. If someone approaches me as a potential client, but I don't believe in what they're doing, if it's something I just can't see myself getting behind, I can't help them. On the other hand, if I feel that my prospective client is making a positive contribution to the world in some way, I'll support them with all my heart.

The second “P” is passion.

If you align your business with your purpose in life, it will automatically make you feel passionate about it. Life without passion is very very boring, and let's face it: your business is a huge part of your life. Bored with work = bored with life, in other words. So, if you have the purpose, the passion will show up.

What does passion look like? Passionate people are excited to get up in the morning. You may be really tired, but when you begin working all of a sudden the energy you need will show up. I've had times when I've been totally exhausted, but then I go to meet a client and by the time I get into the meeting I'm inspired, because what I am doing is really what I love. Your business should do the same thing for you. When you do business, you should feel your energy surging.

If you find that this isn't the case, if you're thinking about your business and it's draining your energy rather than filling you up with energy, you're probably doing the wrong thing. Whatever it may be, it's obvious that you're not passionate about it, and you need to find something that really excites you.

So, if you have that purpose, the purpose helps create the passion, and from the passion stems the third “P”, which is profit.

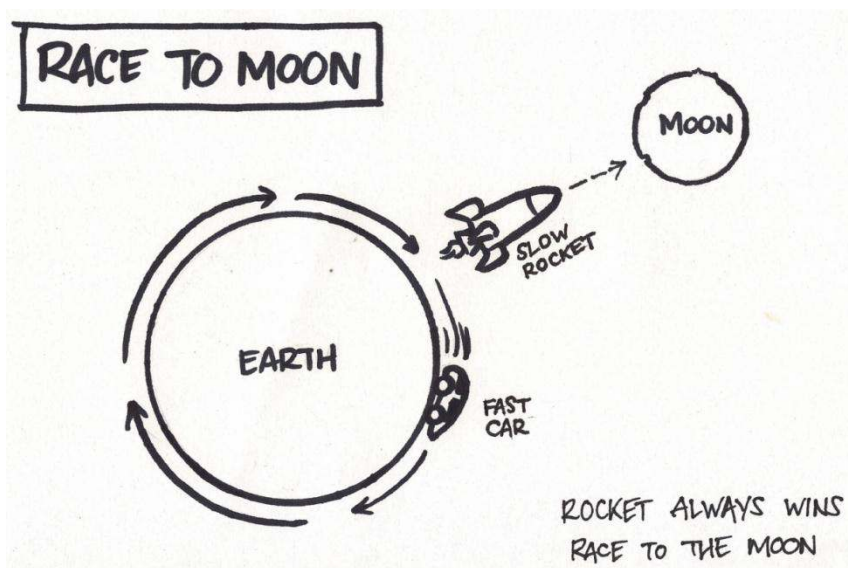
In the system that we live under, you probably need to make money at what you're doing, unless it's just a hobby. Your business model needs to be profitable. Also, you have to make sure that the model is appropriate to the amount of money you want to make.

Here's a fun example: let's say you want to go to the moon. You can have the coolest car in the world. You can have a really really cool car, like a Ferrari or whatever, but it won't get you there, will it? On the other hand, if you have a rocket ship, but it's in bad repair, you might have a shot, but is it really worth taking that kind of chance with so much at stake?

You have to make sure that the business vehicle you're committing yourself to is the right vehicle to get the result that you want. Let's say you want to make money providing some kind of service, and you want to make a living of course, but what you really want is to make yourself wealthy. If your vehicle is trading dollars for hours, unless you are, literally, a rock star, you can't get rich trading dollars for hours because it's not the right vehicle. So let's say instead of trading dollars for hours, you

create a company. You put other people to work for you, and this way you can leverage your time. That's an appropriate vehicle to your goal of creating wealth. The purpose is there, the passion is behind it, and the profit you're seeking is compatible to the vehicle you've chosen to get you there. This is key. You have to make sure that the vehicle is the right one to get you to where the end game that you're envisioning is.

So that's the “Three P's” model.



CHAPTER THREE:

Inspiration vs. Desperation

Another business model that I've found very successful and used for many years with great results is the "Inspiration Versus Desperation" model. The inspiration model is based on love: loving what you do, and the benefits it brings to you. The desperation model is based on fear. Let me explain how this works. Picture a sine wave. A sine wave is an apt illustration of the cycle of most businesses. Businesses go up and then they go down, usually within the comfort zone of the person running the business. Let's say, for an example, that we're talking about an income of ten thousand a month.

When business goes down, people should have certain activities that they do to bring it back up, and when it goes up they have other activities that bring it down. For instance, if you're doing well, and you have some clients, and you're making that ten thousand a month, there may be certain activities that you do that cause the business to go down. These can be things like taking vacations, neglecting sales calls, etc. There are always things in business that you may not want or like to do. So what happens is, when business is up, you have certain behavior patterns: things you do, or,

more often, *don't* do, that make your business go back down. Most likely you don't have to think too hard to figure out what kinds of things I'm talking about, here. You know what they are. It's pretty easy to guess, because as soon as you start to do these things, you have less business.

If you don't turn it around, pretty soon you won't have a business anymore. If it goes so low, you can't recover. There are things in business that you can only neglect for so long before they prove fatal.

In business, you pay for your mistakes. Make a big enough mistake, and you're going down. So now you see what the behaviors are that make your business start to drop off. What is it that takes hold of you, eventually, when you see what's happening? What is it that all of a sudden motivates you to make the sales calls you really don't want to make. Now you're making all those calls, you're showing up early for work, staying late, doing all the things you need to do to turn things back around, because now, suddenly, you're motivated. You have to look at what it is that's motivating you, though, and if you really think about it, it's fear.

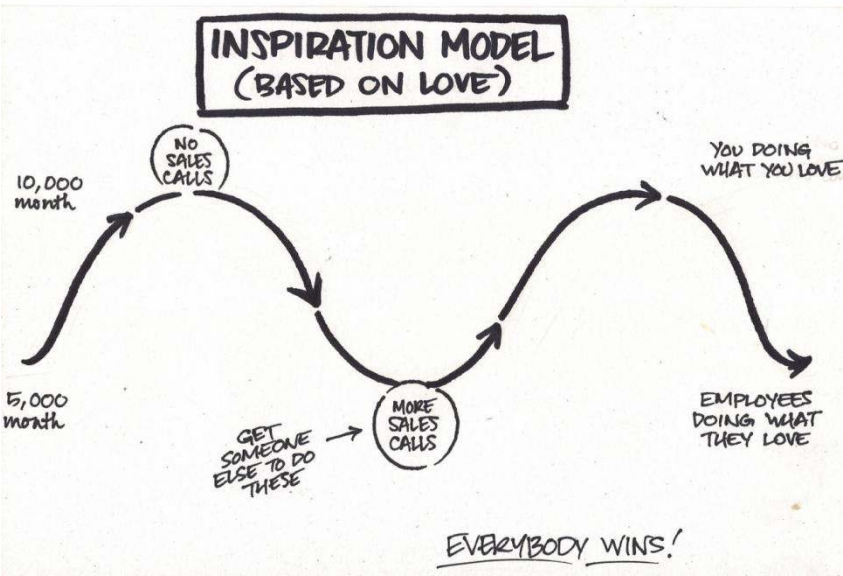
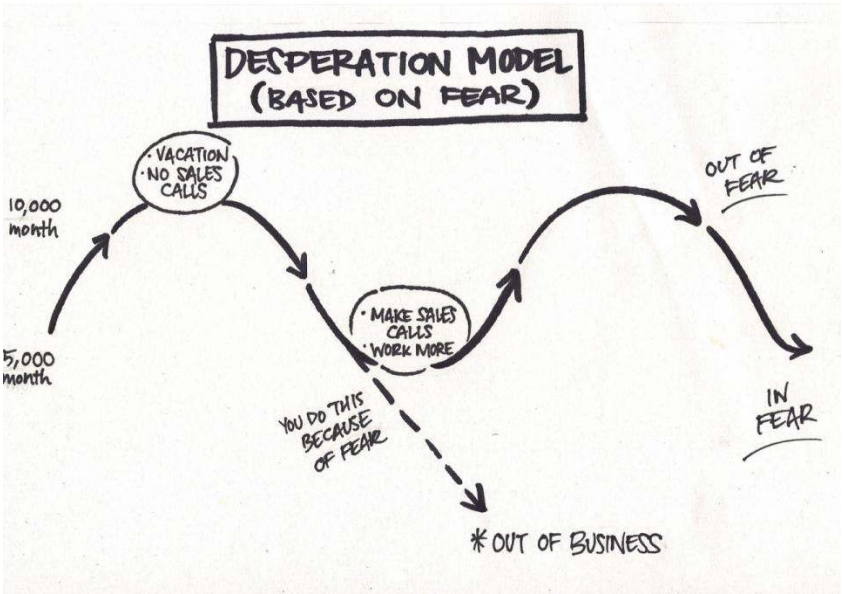
Fear works every time. It's a gun to the head. It makes you get back on track and do those things that cause your business to go up. What

happens then? Then, you get back to the top of your comfort zone, and you start to slack off on those things, and business starts to slip again. The cycle continues: you're in fear, you're out of fear, in fear, out of fear, in, out, in, out. The real problem with running on fear is, obviously enough, that you spend the rest of your life in fear. I'm guessing that this isn't how you want to live. I could be wrong of course, but I'm feeling lucky, here, so I'm just going to proceed on that assumption.

In any case, living in fear is never a good idea. It causes a lot of stress, higher blood pressure, and it can even kill you. If you're in constant fear it can take years off your life. All this is the inevitable result of what I call the desperation model of business, which, sadly, is probably the most commonly used model out there, whether the people using it realize this or not.

The way to avoid this is by using what I call the inspiration model of business. The inspiration model is based on love instead of fear. Sounds better, doesn't it? The inspiration model works like this: there are things that you do to make your business work that you like to do, and there are things that have to get done that you may not like to do. Let's say for instance, that you're really good at closing in meetings, but you hate doing

the sales work that leads up to that. So you don't really want to do the initial sales work, but you know that if it doesn't get done you're not going to have any new business, which eventually means you won't have any business at all.



In the inspiration model, what you do is you let somebody else do it. You find someone that loves to do the things you're not so good at, or don't like to do, and you hand the reins over to them. Believe it or not, there are people out there who love to sell. They know they're good at it, and so they have that special confidence that's required to get through all those cold calls, all those “no”s. So to keep yourself inspired, you delegate the things that you don't like to do, but for this to work you have to assign these things to people who love to do it, you can't just pass it on to whomever.

This way, you're constantly involved in those aspects of business that you love, and at which you excel. Meanwhile, the things that need to get done are getting done by people who love to do those things, at which they excel. Now your business is moving along steadily, and no one is living in fear. Not only is living in fear not healthy, it's also not a good way to attract those good people that you need on your side to make things happen.

CHAPTER FOUR:

Your Instrument Panel

I'll let you in on a little secret: there's no correlation between working hard and making money. Some people think that working hard is something you have to do because that's what they've been told, or, again, just simply out of fear. The truth is, though, you don't need to work harder, just smarter.

Going back to our sine wave analogy from the previous chapter, I can't express how important it is for every business to have what I'll call an “instrument panel”. Here's an analogy: you are flying an airplane. Your airplane is flying along, and your instrument panel is giving you readings letting you know what's in front of the plane, what's under the plane, and what's behind the plane.

If we use this analogy, the instruments that read in front of the plane show you where you're going. These would be sales projections, that sort of thing. Instruments that read under the plane would be daily cash flow, break-even analysis, and so on. Instruments that read behind the plane would be profit/loss. You need this whole instrument panel to fly your business.

What happens in the desperation model is that all of a sudden you look and see that your sales projections are too low. You think, “Oh my God. I did not make enough sales calls.” So then you frantically make those calls, driving yourself too hard until you've done enough to get the plane back on course. Well, those sales projections were there all along. You just weren't making your best use of your instrument panel.

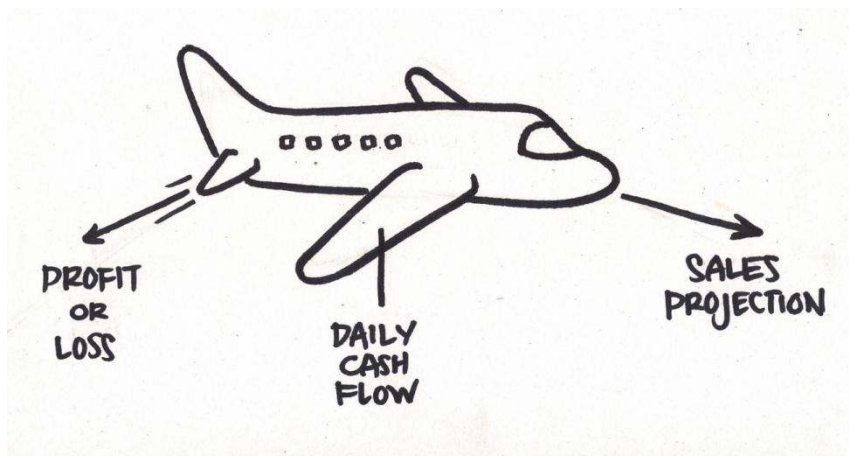
Also, it's important to use all your instruments together. Let's say you're using your profit/loss to fly a little business, but you're not looking at what's ahead when you're making your projections, or at what's underneath you, only at what's behind you. Well, if you're ignoring your cash flow, let's say it's a hundred thousand dollars a month, and then you lose a couple of hundred thousand dollars, you'll find yourself plummeting straight down in no time. That is, you'll be out of business before you know it. So you have to make sure that you're looking at all of your instruments together, and making your decisions based on what's in front, underneath, *and* behind. You have to make sure that you have instruments that are appropriate to your business, and that keep you informed about what's going on from all sides.

The other thing about your instruments is that they have to be appropriate to the size of your business. If you're flying a Piper Cub, a tiny little plane, it's pretty much dead reckoning. You look up, there's the sky. You look down, there's the ground. Just don't hit anything and you'll be fine, since you're only going eighty nine miles an hour. Let's say that all of a sudden you're flying a Beechcraft, though. This is a bigger, faster plane, and you have to have a more sophisticated instrumentation or you could end up in trouble.

Now, let's say you're flying a jumbo jet. You better have a really good instrument panel, or you're all going down. This may seem a little heady, but it's just like this in business. If you're a small business, just two guys and a truck, for instance, you work, you collect the money, you don't need anything too sophisticated in the way of instrumentation to make it work.

Yet, as your business grows, you may find that one day you're running a large construction company, and you don't know whether your forty people in the field made or lost money for you today. You're in trouble, now. You could lose so much money that your dead in the water before you figure it out, or you may find that you have a collection problem. So it's really important that your instrumentation is appropriate

to the size of your business. Make sure that you have the software, the management systems, all of the systems that you need to fly safely.



If you look at big, international businesses like PepsiCo and Taco Bell for example, they can tell you whether they made or lost money at all the Taco Bells in the country three times a day, because it's a huge business with a very sophisticated instrument panel. Whereas somebody like “Mama Mia's”, your local pizza stand, doesn't know whether they made or lost money in the last three years. This is why big franchises are doing so well and little mom and pop businesses are getting crushed. It's all a matter of whether they have the right instruments to provide the information that they need to do a good job, make the right decisions, and fly their business well.

So remember, make sure you've got the right instrumentation and if you can, just do things you love to do and work on inspiration and not desperation.

CHAPTER FIVE:

Time Horizons

In this chapter we're going to talk about managing your most valuable asset, which is time. A lot of people make the mistake of thinking that their most valuable asset is actually money, and it's not. It's time. If you think about it, you can always get more money, but once a day, or a week, or a year has slipped away it's impossible to get it back. It's gone forever.

Why Time Keeps Moving Faster

It's interesting to note that in our medical system around fifty percent of all resources and money spent is on people in the last year of their lives. They must value their lives more than other people, because they're lying in a hospital bed, looking the end of their lives in the face, and they just don't want to die. It's interesting to note that when people are younger, they don't seem to value their time this much, even though it's inevitable that one day they're going to end up in the same situation. We seem to value our time more and more as it becomes apparent that we have less and less of it.

I think the reason time seems to go faster every year is that with the passing of each year, that year seems to represent a progressively smaller segment of the total lifetime. When you're five years old, for instance, a year is twenty percent of your entire life, but if you make it to a hundred, now it's only one percent, or one twentieth of its former "value".

As you get older, time seems to go faster. Sadly though, too many people don't value this asset as much as they ought to. As an example, everyone who has kids will tell you that their kids are very important to them, perhaps the most important thing in their life. And yet, a lot of people don't seem to spend much time with their kids. Later in life, you often tend to hear people regretting not having spent more time with their family. Once their kids have grown up, they start to feel that they've missed out on something. Something that they can never get back, and this something is time. They haven't balanced their time in relation to what's really most important to them, and so it has ended up as a misused asset.

So it goes, also, with business. The time we have to focus on growing our business is limited. You can't get more of it than you have, so you need to treat it like the valuable asset that it is. You need to look at every day as a special one, acknowledge its value, and spend it wisely.

Nobody looks back on their lives and says: “I should have spent more time at the office.” They always say: “I should have spent more time with my kids, or with friends, more time enjoying life.”

Time Horizons

If you don't want to make this unfortunately too-common mistake, you need to live your life as if you're going to die in three years. That's a reasonable horizon. This is a concept I want to introduce to you: the concept of “time horizons”. Think of a time horizon as the way you look at your life, your future. It's the time frame, or amount of time, that you see ahead of where you're at today.

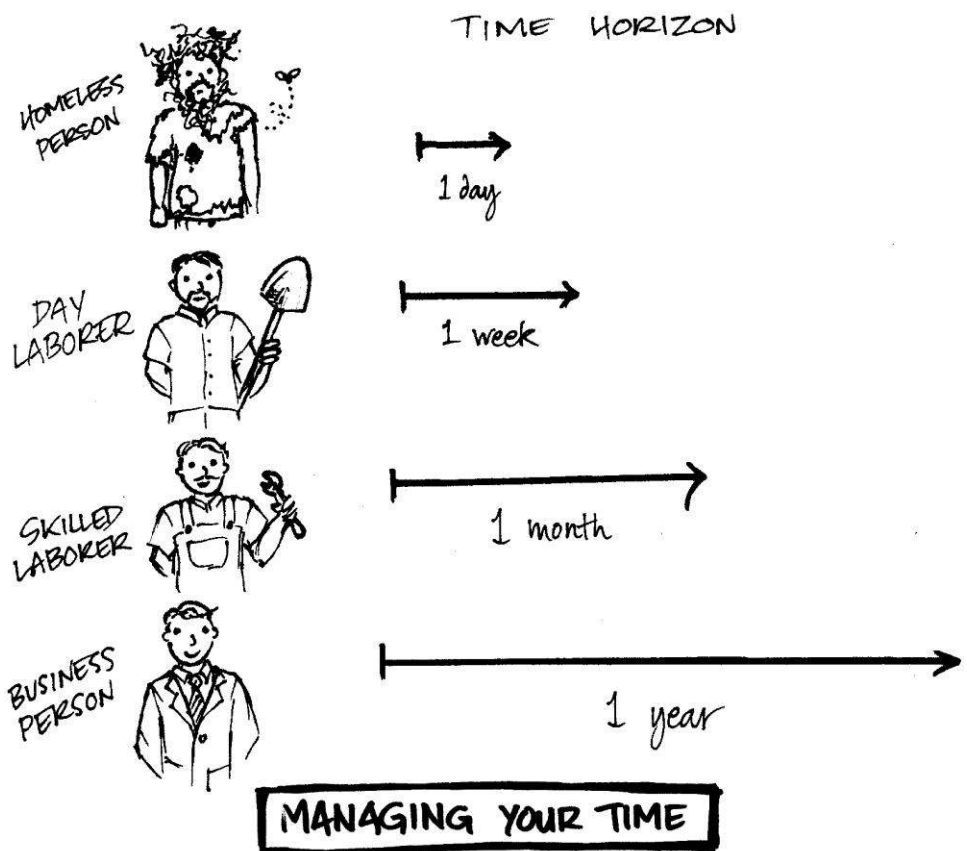
Probably the shortest example of a time horizon would be, say, a homeless person on the streets of San Francisco or New York, or somewhere like that. Their time horizon is pretty much one day. That's as far as they want to see. They might think: “If I can just make it through to tomorrow, then I'm okay.”

A person like this doesn't think about three years from now, or two years from now, or even one week from now. They just want to get through today. This is a one day time horizon, and it's pretty sad isn't it?

Then there are people who have a slightly longer time horizon, let's say one week. Their world ends at the end of the week. This kind of person is probably living from paycheck to paycheck, making minimum wage or something like it. Week after week, they're just trying to make it through until next week when they get paid again, and the whole cycle starts over. They're not thinking about their 401ks. They don't have time to care what's happening to them three years from now, it's just week to week living for them. While it's true that they're probably doing substantially better than our street person with their one day time horizon, I think it's safe to say that this one week time horizon is also pretty limiting. What I'm leading up to here, is that the shorter your time horizon, the more limitations you're putting on where you can go in your life.

What about a one month time horizon? A person who's living in this time frame is just concerned about how many bills they have this month and how they're going to pay them. Again, they're slightly better off than

our week to week person, who may not be able to afford their own place, and who might have to rent a small room somewhere that's within their minimum wage level means. Our month-to-month-er might be better off than this, might have their own apartment or house that they're renting, but still, they're fairly limited as to what they can accomplish, and if something goes wrong one month, they could easily end up out there with our day-to-day guy.



Some people have a year time horizon, some people have a five year horizon, and on and on. What we need to try to figure out is what is the best time horizon for you to have right now, and how can you go about expanding it in the future so that your time is budgeted in the most productive way?

A lot of people have observed that a problem with corporations can be that they often have a very short time horizon. They are focused on what they're making or losing this quarter, and they don't really look much further than that into the future.

An interesting thing that I've noticed is that there is very often a direct correlation between a person's time horizon and their income. People who have a longer time horizon tend to have much more income than people with shorter ones. Is this a chicken or egg type scenario, here? Which came first, the horizon or the revenue? I've found that in most cases, it's the horizon that preceded, and helped to generate, the income and not the other way around. When someone is looking at where they're going to be next year, they tend to have better outcomes than someone who is more worried about tomorrow, or next week, or next month.

Time horizons can be applied universally to almost any situation. Let's look, for instance, at how time horizons can affect your employees and their productivity. When you're giving your employees the tools they need to succeed, and the reinforcement necessary to make sure they have a clear picture of what their responsibilities are, it's important to consider their own particular time horizon. If you have an employee whose time horizon is pretty much day to day, then a 401k is meaningless to them. It's just not something that can exist in their world as anything more than an abstract concept. They just can't understand it. It's not that they don't have a life beyond tomorrow or a week from now, but that they simply can't see that far ahead.

This isn't a question of morality. It's all about point of view. Having a shorter time horizon isn't “wrong”, or having a longer one “right”. They are different, though, and these differences need to be acknowledged, or problems can arise. The best general rule is that when you're working with someone you need to be aware of where they're coming from in terms of their own time horizon rather than basing everything around your own. If you try to make your employees change their behavior or outlook on life, forget it. People have to be self-motivated to make these kinds of changes.

You're not going to be able to force them to do it, no matter how much you might wish you could, or how convenient that would be.

In terms of making changes then, the only person you can focus on is yourself. What being aware of time horizons can do for you is that if you want to change your income, or your lifestyle, or whatever the case may be, now you'll be able to ask yourself: "In what way is my time horizon helping me or hurting me in these areas?" If you want to make these changes, you may find that you need to adjust your time horizon. You need to think about where you want to be in three years.

Of course, there has to be a balance. If your time horizon is, let's say, thirty years from now, you may end up missing out on your life in the meantime, since all you're ever focusing on is your retirement. It's good to start out thinking in terms of years and, as you get older, let your time horizon expand with age. Having kids can definitely affect this. When your kids are born, it may feel like you don't even know what's going to happen in the next fifteen minutes, but as they get older, a good parent instinctively starts to look to the future; to plan ahead for college, their own retirement, everything that's important for their kids' and their own quality of life.

Whatever your own time horizon may be, if you're not aware of it, you can't affect it. Assessing and changing your time horizon can really make a major, positive change in your business and in your life. Eventually, as you learn to set long-term goals, and follow through on them, you'll notice how it's affecting your income as well.

You Get Paid for What You Do

Our society pays a certain rate for certain goods and services, determined by the market, based on the demand for the goods or services in question, and how easy they are to procure. It's basic supply and demand. Let's say that you pay a hundred bucks an hour to have a top sales pro on your team, for instance. You pay so much for management, so much for labor, etc.

As a small contractor, or whatever business you're in, you have to ask yourself: “How much time do I spend selling? How much time do I spend working on my business? What about clerical work?” When you've figured all this out, then you can get a rough idea of what society, or the market, is willing to pay for those services. Here in the United States, someone who's good at selling may get that hundred bucks an hour, while

someone who's just as good at filing may only make fifteen. This is simply because Sales is a rarer, and hence more valuable skill than filing, which pretty much anyone can learn to do. Not so with selling. Some people are just better at it than others. That's a fact that has to be faced.

If you want to change your income, what's the best thing to do? Based on what we've laid out here, the obvious answer seems to be that you need to offer goods or services that the market, or society, values highly; goods or services that people are willing to pay top dollar for.

Let's say, for example, you are mowing your lawn. You could pay someone else to do it, but maybe you like doing it for whatever reason. That's great, but what if there's something more valuable you could be doing? In this case, doesn't it make sense to pay someone else the low rate which the service of lawn mowing is valued at? You might think that you're saving money by mowing your own lawn, but you might actually be losing money if you're using up time that could be spent more profitably working on your business or hunting for more clients. The same principle applies to filing. If you're going to invest your time in filing, again, ask yourself, is there something else I can be doing that is more lucrative? Am

I really saving money by doing my own filing, or am I really losing money by squandering hours and hours on this fairly simple task? Hours that could be spent in dozens of ways that have more value to you and your business.

CHAPTER SIX:

Chargeable Time

There's a concept I use in coaching that I like to call “chargeable time”. Thinking in terms of chargeable time has been one of the most helpful things for myself and my clients, so let me help you to understand it, too. You'll quickly see the benefits involved, I assure you.

Chargeable time has to do with prospecting and selling. These are the two most important things your business has to do to be and stay successful. Bearing this in mind, think of only the time spent doing these two things as “chargeable time”. In other words, everything else is just not as productive. These are the tasks that really have a lot of value attached to them. That's why people who do these things get paid so much more than people who do clerical work or mow lawns. Without their work, there's no cash-flow to meet the payroll and pay low salaries of the filers and lawn mowers.

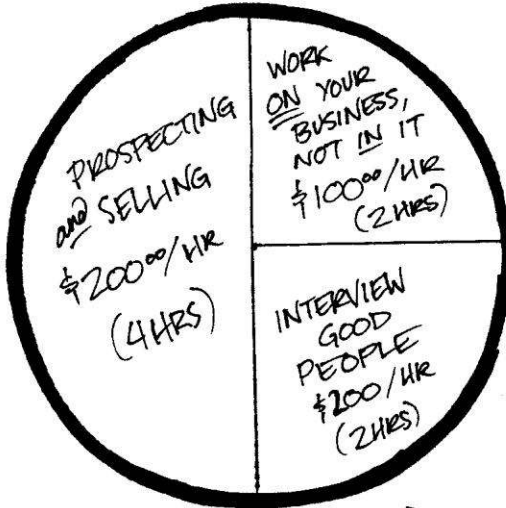
So, if filing and mowing your lawn are *not* chargeable, let's look at what *is*. Say you own a construction business, and you're selling a service. That selling, and the prospecting that led to it, that's your chargeable time,

and nothing else counts. Sometimes when I'm working with my clients I'll actually track this for them. I don't count the time they spent getting prepared for a meeting, or putting all their notes together, only the chargeable time. Time they spent prospecting (Just to be absolutely clear, "Prospecting" is trying to find new people to sell to.) or selling. I've limited selling time to time they actually spent in contact with a person who has the money and the need. What I'm trying to get through to them is that this is the most profitable use of their time. It pays thousands of dollars an hour or more, when you do the math. So to practice good time management is to look at what your chargeable time is, and if you want to make more money you change what you spend your time doing and make sure it falls into this category of chargeable time. This is a sure-fire way to increase revenue. I've never seen it fail.

HOW MUCH IS YOUR DAY WORTH?

SUCCESSFUL

CONTRACTOR BUSINESS OWNER



= 1 DAY (8 HRS)

PROSPECTING & SELLING

$$@ \$200.00/HR \times 4 HRS = \$800.00$$

WORKING ON YOUR BUSINESS

$$@ \$100.00/HR \times 2 HRS = \$200.00$$

INTERVIEW GOOD PEOPLE

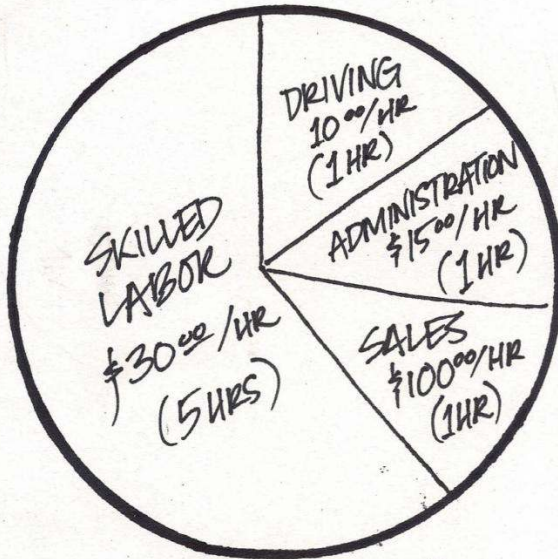
$$@ \$200.00/HR \times 2 HRS = \$400.00$$

$$\text{TOTAL} = \$1400$$

★ PER DAY ★

HOW MUCH IS YOUR DAY WORTH?

CONTRACTOR BUSINESS OWNER



1 DAY (8 HRS)

$$\text{ADMIN @ } \$15.00/\text{HR} \times 1\text{HR} = \$15.00$$

$$\text{SALES @ } \$100.00/\text{HR} \times 1\text{HR} = \$100.00$$

$$\text{DRIVING @ } \$10.00/\text{HR} \times 1\text{HR} = \$10.00$$

$$\text{SKILLED LABOR @ } \$30.00/\text{HR} \times 5\text{HR} = \$150.00$$

$$\text{TOTAL} = \$245.00$$

* PER DAY *

Working on Your Business

As a small contractor or other business owner you want to spend time working *on* your business, not *in* it. Just following this simple concept is worth thousands of dollars an hour. The mistake that a lot of contractors and business owners make is that once they've come up with the idea for their business and gotten it started --it really doesn't matter what type of business: it could be construction or it could be selling tacos-- they get very excited. They have the concept and they see the value there to their potential clients. They work on it. They get the resources together, the start up money, the loans and what-have-you. They get everything picture perfect; straight as an arrow. Then they start moving forward and the business starts to take off, and this is the point at which so many of them make a critical mistake that comes back to haunt them later. The mistake that so many contractors and business owners make at this point is that they take a job at their own business.

Instead of working *on* their business, they're working *in* it.

One thing I can promise you is that you will never get paid as well for working *in* your business as you will for working *on* it. Sadly, many

people miss this point, and it always comes back to haunt them later. So I recommend that you avoid this pitfall, and make sure you keep working *on* your business not *in* it: generating new ideas for goods and services, hunting down new prospects, and selling them your product.

Tools for Time Management

To practice effective time management, you're going to need a few simple tools. That's right, *simple*. You really don't need anything too sophisticated. There are tons of time management tools out there, and I guarantee that you probably already have a few of them at your disposal. You just need to make sure you're using them.

Something that I find kind of funny is that when you look at it, the number one reason that people give for not practicing good time management is lack of time. This seems like a paradox, an insane answer, but it is the most common reason why people say they don't take the time to study time management or acquire helpful tools. Of course, if they would only take the time to manage their time more effectively, they would find that they had the time to do it! It's kind of a vicious cycle, so don't get caught in it. Plan and manage your time effectively, and you'll always have more of it.

Again, remember that time is your most valuable asset. When money comes in, you manage it, right? So why not time? It's just silly not to do it.

So, what are these tools I've been talking about?

First, you need a to-do list. Every day you make a list: what am I going to get done today? This way, if you find yourself wondering what you should be doing at any given moment, you just consult the list and it's all spelled out for you right there.

You also need a calendar.

The to-do list and the calendar are the basics of any time management program. Also, strange as it might seem at first, I recommend that you do not separate business and personal. Put everything you need to get done on your to-do list: business, personal, *everything*. When something comes up that you have to in the future, a business meeting or a sales appointment for example, *put it on your calendar*. When you get to that point, this task can come off the calendar and on to the to-do list for that day. I think you're probably starting to see how the two work together.

Another very important thing: *have them both with you at all times.*

I'm amazed how often I call somebody and try to arrange a meeting, and they say, "Oh...I'd like to, but I don't have my calendar with me right now." This person really isn't thinking things through. Nowadays, even your phone probably has a calendar on it, and an app for making notes. Right there you've got your list and your calendar. All you have to do is keep your phone with you, and you've already got both of these very important things! Make sure you do.

When you make your list, it's also important to prioritize. Think about what you most want and/or need to do, and make those items a priority on your list. If the top of your list says: "Get my car washed." and your sales meeting is buried at the bottom, or on the other side of the page...whoops! The sales meeting is happening, and you're at the car wash. Not good! This kind of thing can lead to some embarrassing and also, unnecessary, mix-ups. Make sure your list is prioritized, and you'll avoid these pitfalls.

Make a new list every day. Never skip a day. Put upcoming events on your calendar right away. Don't procrastinate and tell yourself that you'll just put it down later. If you follow these simple guidelines, you'll be much more effective *at* using the most valuable asset that you've got, ***time***.

CHAPTER SEVEN:

Using inspiration and Intuition

In this chapter, we're going to explore the way we learn. Our entire learning system, when you really get down to it, is based on two different models. The first of these models is what you might call the “brain as computer” model. In this model, the brain is treated like an extremely sophisticated biochemical computer. It takes in input, and it produces output.

For example, when a fetus first starts to develop in the womb, brain cells begin to multiply. They keep multiplying and multiplying, and eventually there's a brain there. You might think of the very first learning experience as when the baby kicks against its mother's womb. It finds a certain level of resistance there, and it starts finding out what its limitations are. In a very basic way, that's learning. It's action and reaction, input and output.

This is one of the main models that classroom education is based on, “input/output”. You go into a classroom, you hear a lecture, that's input. Eventually you're tested on what you've been taught, and that's output.

Likewise, any kind of training course is based on input, and when you're putting together something like this for your business, you have to make sure that this input is carefully controlled. One way or another, there's going to be some kind of output as a result of your input. It's what we'll call “the cycle of learning”. So if you control the input, you control the output.

Now, the other theory of learning: this theory essentially treats the brain as if it were a receiver, like a radio. This is a very different theory of learning. It's almost as if, in order to receive information, your brain needs to tune in to various signals from different radio stations. So if you wanted to learn about, for instance, how you should act in a meeting, you just listen to your intuition, and you go with it. In any kind of critical situation, it's all based on intuition. You just get a kind of “cosmic flash”, and you just know what to do or say. This is interesting to think about, because a lot of times it has nothing to do with anything you've ever learned before. Who can say where it comes from? The cosmos, God, wherever. Something just shows up in your mind. You don't know where it's coming from, but you act on it. You might call this the “mystical theory” of the brain.

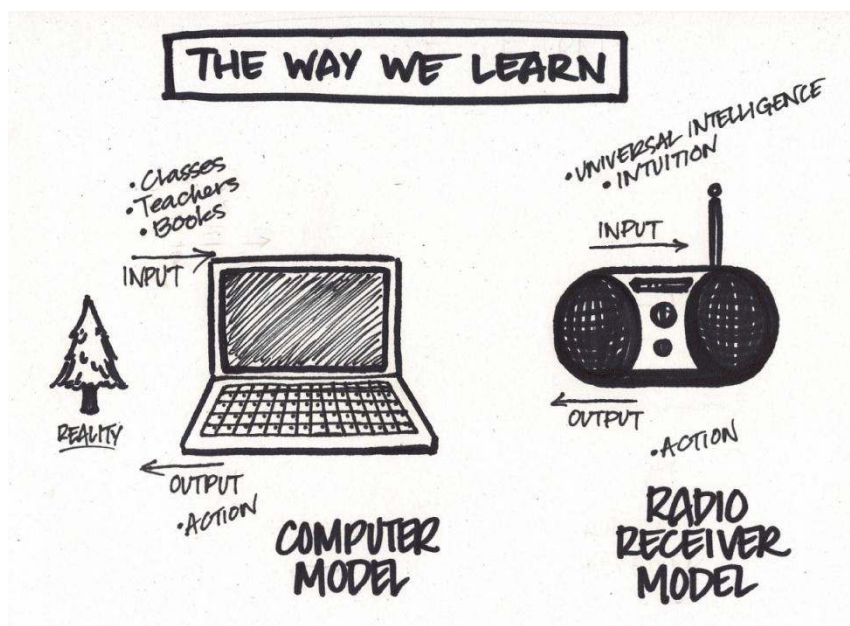
But which theory actually works better? Is it the computer idea, or the radio receiver?

If we look through history then forward to what I'll call the "now", you may or may not agree that we've moved forward as a rational civilization, but I'm taking that as my assumption here, that we've progressed. Certainly, there are arguments that could go the other way, but let's just humor my logic for a second and say that we have progressed. How is it that this progression occurred? Where did the information come from that made it possible? How did we make these leaps forward that moved the progress of civilization? Was it the computer model or the radio model?

I contend that every major leap forward that humankind has made has happened through the receiver model, the inspiration model. The Ten Commandments, the music of Mozart, the works of all the great authors, every time that you see some major breakthrough in any field, it just sort of seems to come from inspiration.

There's a story about Nicola Tesla and Thomas Edison. Tesla was a very great scientist who came up with a lot of new and interesting theories

and inventions. He was way ahead of his time. What he would do is just tap into the cosmos, and write down what came to him. He had visions of generators, and how they would work, which were literally based on nothing that had come before. He just pulled it out of the air. Edison thought this was ridiculous, and he didn't like it. According to Edison, the way to do science was: *experiment, experiment, experiment*.



So here we have the hard science guy, the experimenter, Edison, and the visionary, Tesla. Naturally enough, they didn't get along as engineers. In fact, one of Edison's biggest mistakes was that he fired Tesla. He just couldn't understand what he was talking about. He didn't get it.

I believe the visionary model, the inspiration-based model is more effective than the brain as a computer model, and I think history demonstrates this. Yet, our whole system of education is based on the computer model. Your teachers are definitely not going to encourage you to just “wait for the answer to come”. Our social programming tells us that the radio receiver model is not good, and not to trust the information that we get from it. On the other hand, we're told, the computer model is good, and you can trust the information your receive through it.

Yet, in business, it's very interesting, people buy based on emotion. They may use logic to rationalize their decision, but the fact is that feeling good about something emotionally is the single biggest factor that determines whether a prospect will make that purchase or not. Equally, most really important business decisions are made on intuition. This is the reason why it's so important to trust your intuition; it's one of the most valuable business tools you've got. You've got to push past the programming that tells you to deny it, and let it do its work, because it's one of your best assets.

Like most people, you've been trained on the computer model. You've already been to school, so don't worry about that part. You've got it down.

All those years of school and work have hammered it into your head, and you probably don't need to worry about expanding it. What you do need to do is think about how you can develop your aptitude for using inspiration and intuition as your guide in business.

Every once in a while, we all get great ideas. We may be driving or walking along, or in the middle of a meal, who knows when inspirations is going to strike? It's important that when it comes, we maximize it, though. When you have this sudden inspiration, which is called an “epiphany”, stop whatever you're doing, and take the time to write it down. Sometimes I have some of best ideas after waking up from a dream. Never mind the fact that it's four in the morning and I'm half-asleep. Ideas are some of the most valuable things there are, and you can't count on them coming back, so I make sure that I get up out of bed and write it down.

You've got to learn to listen to your intuition because it's the part of you that is connected to the universe, or God, or whatever you want to call it, whatever you're most comfortable with. The idea is more important than the name, or any kind of religious practice. Whatever you call it, it's the source of all the really credible, amazing quantum leaps and information that will really help your business to succeed.

What Are You Doing to Make It Work?

Here's a simple exercise that you can do to practice using your intuition. Sit down with a piece of paper and write down ten things that you're doing to sabotage your business. Now write down ten things you're doing that really make it work well. Just let it flow, don't over-think, just let the thoughts come to you naturally.

I know it's in there somewhere, because after working in business for thirty years...let's say forty thousand hours or so, I have found that every business person I have worked with has actually known what they needed to change on some level. They may not like the answer, but they know what it is, deep inside their self. Sometimes these answers can be unpleasant to think about. It may be that you just don't work hard enough. Maybe you need to quit your job, or change your location. People know what's wrong, they just don't want to listen to that part of themselves, that intuitive element, that's trying to clue them in on what's holding them back. So, you make your lists: ten things you're doing to sabotage your business, and ten things you're doing to make it work better.

Now you've got your lists, and what you need to do is simply stop doing the things that are sabotaging your efforts. You know what they are, but sometimes it's not easy to stop. It's similar to quitting smoking or stopping some other undesirable habit. How do you stop smoking? Don't put a cigarette in your mouth. How do you lose weight? Eat right and exercise. The answer is really very simple but learning how to implement it, and how to motivate yourself, that's the hard part. This is why business coaches get paid.

Once you've got your lists of how you're helping and hurting yourself, you'll start to see what the patterns are, across the board, that you need to change or emphasize, depending on which list the behavior in question falls. Again, we all know in our guts what needs to happen, it's just a question of getting the support you need to make it happen. I had one client, he only wrote down nine things on his list. Can you guess what the last one should have been? “I never finish anything”.

So you know in your heart what you need to do to make your business work, because you're connected to that universal source that gives us all the information we need, and you just don't want to listen. So this time don't block it out, write it down. Write down the best answers, even

though they may be things that you'd rather not admit. Now they're all out in the open. They're right there on that piece of paper and you can keep looking at them and make the decision to change. It's no big deal.

10 THINGS I AM DOING TO SABOTAGE MY BUSINESS...

1. NOT EATING RIGHT
2. NOT PAYING ATTENTION TO INTUITION
3. TREATING PEOPLE POORLY
4. NOT TAKING VACATIONS
5. NOT DELEGATING ENOUGH
6. WORKING WITH THE TOOLS
7. NOT SPENDING TIME SELLING
8. NOT FIRING MY POOR EMPLOYEES
9. NOT WORKING ON MYSELF
10. NOT EXERCISING

10 THINGS I AM DOING TO MAKE MY BUSINESS WORK

1. READING THIS BOOK
2. HIRING GOOD PEOPLE
3. TREATING CLIENTS WELL
4. ASKING FOR ENOUGH MONEY
5. GOOD PAPER WORK
6. GOOD ACCOUNTING SYSTEM
7. MANAGE MY TIME WELL
8. PAYING MY EMPLOYEES FAIRLY
9. HAVE A GOOD CONTRACT
10. CHOOSING GOOD SUBCONTRACTORS

Don't See Red

I'm going to tell you something, and it may seem a little odd at first. Most of us have, literally, no control over our own minds. Our egos have taken over. Your ego is the part of you that says: "let's eat cake", and then says, "I'm too fat.". You can't win. Why? Because you don't have control over your own mind. This reminds me again of the thing where I tell you: "You can think about anything you want for the next ten seconds. Anything at all. But don't think about the color red! Go!" Unless you are one of the most evolved beings on the planet, some kind of guru or

something, you'll think of the color red immediately. We all would.

Now suppose I say, “Don't think about your debt. Don't think about your bills.” You become what you think about, and we have no control over what comes into our head, which makes it pretty tough. So again, try to replace that thought with something else. Don't think about your debt, think about something positive, because that will help you to *stay* positive. Stay in touch with that intuitive part of your mind, and act on it, go where it leads you.

CHAPTER EIGHT:

Avoiding the Attack/Defense Cycle

There's a cycle we all get into from time to time. It's called the "attack/defense cycle", and it's very important to be aware of in order to help stop yourself from sabotaging your business and personal relationships. What will happen is this: something will go wrong, and you'll feel attacked. You show up five minutes late for a meeting, for instance, and your colleague who's leading the meeting says: "Nice to see you could make it."

That's the attack.

Then you'll start to defend yourself: "Well, if you had told me about it sooner. I *have* been here, you know, *working*."

And then they attack you again. "Well, if you would ever pick up your phone, maybe I could have."

And so it escalates.

I believe that the cause of most human conflict, from the smallest little argument between friends to long and deadly wars, is caused by escalation of the attack-defend cycle. We all get into it. The best thing we can do is to recognize it when it's happening, and take back control. You focus on avoiding the attack in the first place: don't be late next time. And when attacks come, as they will from time to time, don't keep defending yourself. If you refuse to defend yourself, you break the cycle. The minute you start to defend yourself, the other person actually perceives this as an attack on what they said, and so it goes back and forth like that. This happens all the time with employees. You want to help your employee do better work, so you let them know that you have a problem. You say: "You're not typing fast enough." "You need to be on time for work."

What do you think they're going to do? They perceive it as an attack, and they start to defend their self.

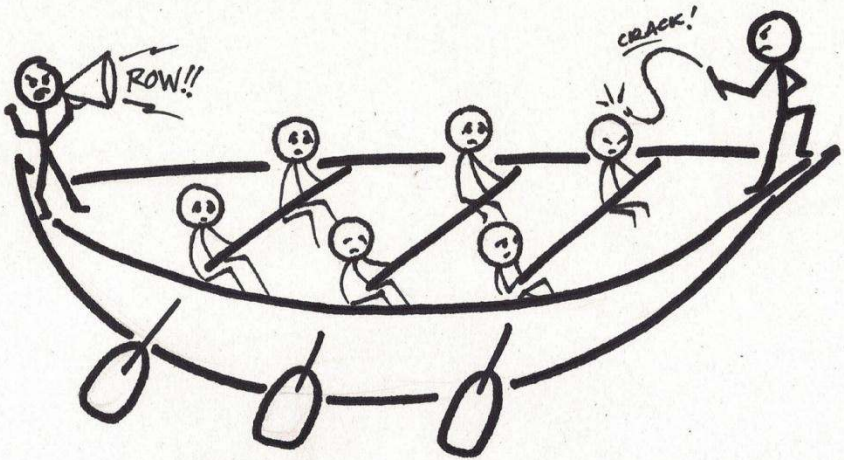
"Beatings will continue until morale improves", is never a good management plan, it just doesn't work. So instead of attacking your employees, try to go out of the way to catch them doing something right. If they don't feel like they're always, and only, on the receiving end of attacks, they'll be more open to criticism.

To eliminate the attack-defend cycle, first you have to recognize it. Then you have to stop defending yourself. Also, look at the ways in which people may be perceiving your criticisms of them as attacks, and try to moderate yourself. So what's a good, non-defensive statement? Suppose someone says to you: "I don't like the way you always look angry, and I think you part your hair the wrong way." You can say: "I understand how you could feel that way." This defuses the situation. You don't defend yourself. You stop the cycle in its tracks and now you can get on with actually communicating instead of defending yourselves against one another.

So recognize the cycle when it happens, and don't sink down to its level. Refuse to defend yourself, and don't attack the other person. I think you'll find this will make a huge difference, not only in your business, but throughout your life.

OUR MANAGEMENT POLICY:

"BEATING
WILL CONTINUE
UNTIL MORALE
IMPROVES!"



CHAPTER NINE:

The Three Rules of Selling

In this chapter, we're going to talk about the three rules of selling. I've given this a lot of thought. I asked myself: "What really are the most important things that a small contractor or other business person needs to have in place when they're doing sales? How can I help my clients to be most effective?"

Well, the first rule, and perhaps the most important is: *sell yourself first*. When you're doing sales, you've got to be personable and likeable, and on top of that, you've really got to believe in whatever it is you're selling. Let's say you're a small contractor, and you're trying to convince your prospect to use you instead of a competitor. You've got to believe, honestly, that you can do the better job, and you've got to explain what makes you better than the other guy; show your passion for your work while keeping a friendly attitude and exuding confidence in what you're saying. This can be a difficult balance to achieve, but if you really do believe in what you're selling, you're already more than halfway there.

So whatever it takes, you've got to make yourself believe in your product. When I say "Believe", I mean really know, in your heart of hearts,

that you have a good product or service that can provide a great value for your prospect. If you don't feel that way about what you're selling, it may be that you need to sit down and rethink what you're doing, because prospects can smell insincerity a mile off. It's probably the number one thing they're looking for when someone is trying to sell them something. “Is this guy just full of baloney, or does he really believe what he's telling me?” If you demonstrate sincerity, they'll be pleasantly surprised. If you don't, trust me, your prospect is going to pick up on it. There's just no way to hide it.

In sales, everything that's happening non-verbally: your body language, your tone, expression, etc., is extremely important. If your mouth is saying: “I've got a really great deal for you here...” but inside you're thinking “...is it really? Oh well, just get them to buy it. Who cares?”, they'll know. It's an intuitive thing. Even if they're not the smartest person, they'll pick up on it.

This is why you have to sell yourself first. It gets your prospect to relax. If you obviously believe that what you're showing them has some real benefit, they're going to be receptive. They're going to be more likely to listen to you, which is half the battle.

A friend of mine was in the insurance business, specifically life insurance. He would go in to a family's home, and he would try to sell them life insurance. My friend really *really* believed in life insurance. He honestly felt that anyone who had a family should have it, and if he wasn't able to convince them, he was personally disappointed. Also, when he failed to convince his prospects, he actually felt like he was letting their children and their spouses down.

So, my friend would go in and talk to the parents, and he would tell them why he thought they needed life insurance and why it was so important for their children. Without getting too dark about it, he'd paint the picture for them: "What if something were to happen to one, or worse, both of you? What's going to happen to the rest of your family, then?"

Like I said, when he didn't succeed, he felt really bad. On his way out, he'd look over at the kids, and he'd say to them: "I'm really sorry that I let you down. I want you to know I gave it my best shot, but I guess it wasn't good enough. I want to really apologize to you for my failure to get you covered if the worst should occur..." And he really felt that way. He wasn't acting. He really did feel like he'd let those kids down. The parents would

hear this, and more often than not, they'd come and stop him on his way out: "Wait, wait, wait.", and he'd come back in and close the sale. He had an amazing closing ratio.

So, then, another sales person picks up on what he's doing, and they say to their self: "Wow! Now this is a great technique. I'm gonna use this!" So the other guy, he comes in and he does exactly the same routine. When he can't sell the parents, he goes to the kids, and he gives them all those same lines about how he's sorry he let them down, he's really disappointed in himself, and so on.

You know what, though? It didn't work. There was some false note in there that the parents, and even the kids picked up on. It turned out it wasn't just the pitch that worked so well, it was the fact that you could tell my friend believed in it. The difference? My friend was selling himself, and his belief in his product, first, while the other guy was just hollowly repeating a good sales pitch. You need to be like my friend, and sell yourself first.

One of the most successful contractor I know, a guy who does a hundred million dollars a year, this guy feels in his heart that he is the best contractor on the planet. He knows it. If you don't let him build your house, as far as he's concerned, the reason is that you're just nuts. You could hook him up to a lie detector and ask him who builds the best houses in the world, and he would answer "me." He would pass the test every time, that's how sure he is of himself. That's the kind of confidence you need to build to be a real pro at sales.

On the other hand, there's another contractor I know, who just thought he was "...sort of, *okay*." This guy actually did a pretty good job, but he didn't really see much difference between himself and anybody else. He figured a contract is a contract. Somebody's going to get it, and they're all going to do pretty much the same job. This person didn't have the same conviction as my first example. Because of this, he often found his sales pitch falling flat. It's not what he was saying so much as what people could tell that he was thinking inside.

So I spent a lot of time working with him, coaching him, convincing him he had to sell himself first. I told him: "You've got to believe you're the best. You've got to know it."

I know for a fact that I have the best coaching firm on the planet. There's no doubt in my mind about it. To me, if you don't use our services, if you decide to go with somebody else, you're just crazy. You must want to lose money, because you're looking at success, and you're taking a pass. I *know* my firm can help your business. Like my friend, you can put me up against a lie detector, and I'll pass every time. I know this in my heart, because I've sold myself first. I absolutely believe it to the core that we're the best there is.

You've got to be this way about your own product or service. That's the first step to being good at sales, and probably the most important.

The second rule of selling is that you sell to your client's best interest, not your own. Let's say you have three similar, but slightly different products, and there's one that will make you the most money and another that gives you the least return on the sale, but your client can benefit more from the less profitable one than they will from the more profitable one.

Sell him the product he really needs, even though it makes you less money. If you take care of your clients, they're going to take care of you in

return. For example, if you're using my coaching services and you probably only need to be coached in a certain area for two months, I'm not going to try to make you do it for two years, even though that's more profitable. I want you to do the two months, because that's all I know you're going to need. Or say you just need our group model, which is a hundred dollars a month versus my other more individualized and intensive model which is much more expensive, I'm going to recommend that you use the group model, because it's most important to me that you use the tool that's going to work best for you. If I take care of my customers, they take care of me, and the same will be true for you. So when you're selling something, make sure that you're selling to your client's best interest, not your own.

My third rule of selling is: use the best communication available.

I can't tell you how many people have really messed this one up. I tell contractors: “Only deliver the bids in person that you want to win.” It's like only floss the teeth you want to keep. If you can, do it in person. That's the best kind of communication because you pick up on little things about your prospect, you get a feel for who they are. The communication

is as good as it's going to get when you're sitting right in front of them. Of course, if you have to, use the phone. In my business, we do consulting over the phone because of course we can't be all over the country at once. So we have to do some of our consulting work by phone, or maybe by Skype. Skype is better, because you can actually look at the person. Also, you can make your best use of your own expression and body language, which makes a stronger impression than just your voice alone.

If you absolutely have to, you can use email or snail mail, but I recommend that you use these only as a last resort, because you just lose so much in terms of communication. So remember, when you're selling something, use the best communication that's available, *and* practical, given the circumstances. Obviously, if your client is right across the street, go visit them. If you've got a client who's an hour away, and it's close to the end of the contract, or to closing the sale, go there in person and check up on them. Show them you care enough to make the trip.

What if your client is all the way across the continent?

Well, if it's big contract, go, but if it's a small job, you might have to make a phone call so that you don't spend more on communication than you're making on the job. If it's a million dollar contract, it's definitely worth showing up in person. For fifty bucks? Probably not! Whatever the case may be, use the best communication possible, and that will help you to close the sale.

Let's review. My three rules of selling are?

- 1) Sell yourself first.
- 2) Sell to the client's best interest, not your own.
- 3) Use the best communication that's available.

These are the three most important factors in selling, and if you get these three right, that's it. You're done. You've got it. You're going to be successful in sales, I guarantee it.

RULES OF SELLING

- 1. SELL YOURSELF FIRST**
- 2. SELL TO YOUR CLIENT'S BEST INTEREST, NOT YOUR OWN**
- 3. USE THE BEST COMMUNICATION YOU CAN**
 - a. IN PERSON**
 - b. PHONE / SKYPE**
 - c. EMAIL / MAIL**

CHAPTER TEN: Relationships and Ratios

Relationships

Another very important thing when it comes to selling is relationships. In fact, I would even go so far as to say the *most* important thing in selling is relationships. I'd also add, the second most important thing in selling is relationships. Can you guess what the third most important thing might be?

That's exactly right. *Relationships*.

People want to buy the things they need from people they like. Make a friend first and a sale second. This really cannot be emphasized enough. I've been doing consulting for thirty years now, and I know how to get results. If I double someone's income, if they invest five thousand with our company and we make them an additional fifty thousand in four months, they'll just take the money and run if the relationship isn't there.

“Thanks, but, what have you done for me lately?”

On the other hand, if we're just making a reasonable amount of progress over a longer period of time with another client, but we have a strong relationship, they'll stick with us for years. So it's all about the relationship. Too often, when people are making sales efforts, they disregard that. I can think of a client that lost millions of dollars because they focused on the numbers and not on the relationships. Their focus was all about price. Of course, you have to ask for a good, fair, price, but price isn't everything, as you'll see. Say you're doing a bid on construction job. You're at a million, and your competition is at one million one, you win. If your competition is at nine hundred thousand, and you have the relationship already established, you may still win.

Relationships will only close so much of a price gap, admittedly, and if you cost twice as much as the other guy you'll need to have one heck of a relationship to close at that price, but the quality of the relationship still makes a huge difference, and it *will* close a lot of gaps.

Ratios

Sales is all about ratios. All sales start with some kind of lead that comes from some source or other. Then it goes from being a lead to being a prospect, from being a prospect to being a presentation, a presentation to a close, a close to a sale, from a sale to money in the bank. Using this formula, you can see what your ratios are in terms of these steps. How many prospects turn into presentations? How many presentations turn into turn into closes. You can figure this out using ratios, and the great thing about this is that not only can you control your activity, you can see what areas you need to work on, and then you'll begin to control your outcomes.

Let's say you have two sales people on your team. One sales person has a closing ratio of ten to one. They have to talk to ten people to make one sale. Another is a much better sales person. Their ratio is four to one. For every four people they contact, they close a sale.

Who's the better sales person?

Well, if the person who has the ten to one ratio is super motivated, if they're tearing it up on the phone all day, making as many contacts as

possible, they might actually be a better sales person than your four to one person. If the four to one person is lazy about making sales calls, they may find that the ten to one person is beating them in the sales race every month, simply because they are more persistent and motivated.

The person who understands what their ratios are, and acts accordingly, is going to be your top sales pro every time. The interesting thing about ratios is that you could figure them out for yourself. You just look down your sales pipeline, or “funnel” so to speak, and you see how many leads turned into prospects, how many prospects into sales, and so on. Let's say your average sales is ten thousand dollars. So if you go back to the top of the pipeline, and you look at how many leads eventually turn into sales, and you find that it's one out of ten, then each lead is worth a thousand dollars.

Now, how do you generate leads? Let's say you have to cold call ten people to get one solid lead. So then it turns out that you have to make a hundred calls to make a thousand dollars. You may hate that ratio. It's not working for you because it's too large. What you need to do then, is work it backwards.

In sales, you always have to figure out these ratios for yourself. Figure out how much you want to make, and how much time you need to spend to get there. If you come up with some insane number, say, you have to work twenty two hours a day to make it all work, you might want to consider another occupation. It's not working out. Or maybe you need to leave the sales to someone who *can* make it work. If the ratio is too large, that time could be better spent focusing on other areas of your business.

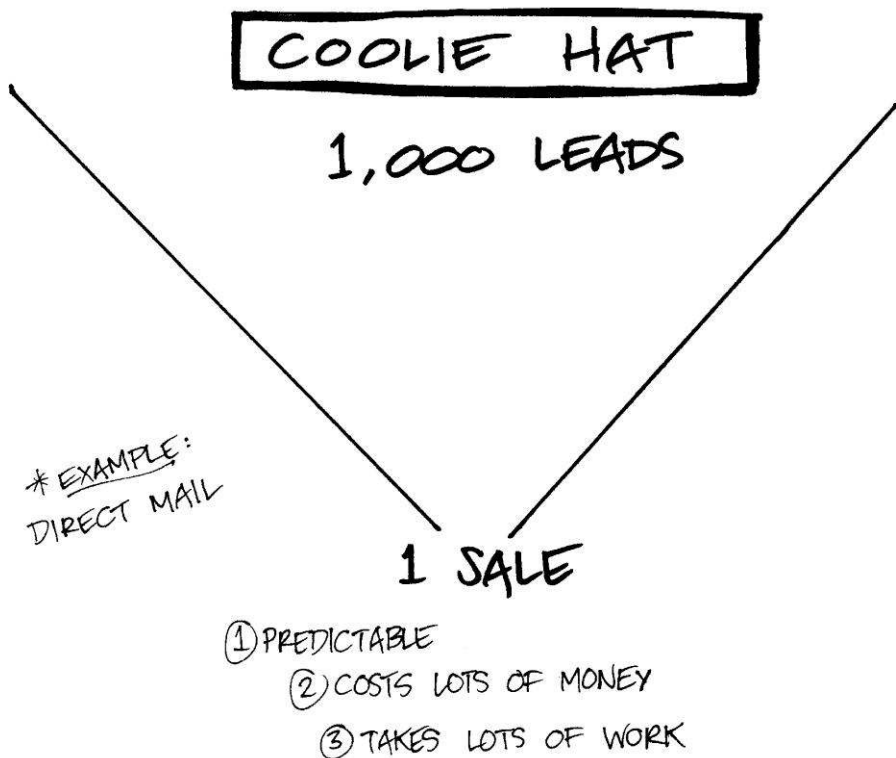
Closing Ratios

There are several ways to look at closing ratios. The first of these I like to call the “cooly hat”, it's a big “funnel”, and it's a thousand to one. Maybe the best way to work this is through direct mail. If I send out a thousand cards, I'll get one sale. The nice thing about the cooly hat is that it's one hundred percent predictable. That's why insurance companies and casinos never lose money. Their business models are based on ratios. They can't lose, because they already have the ratios figured out in advance. They know what to expect. They know exactly what they need to do to win, and they always do.

The only problem with the cooly hat method is that it takes a lot of money and effort to get it going and make it work. If you're a small contractor, or whatever type of small business, it may not be for you. You may just not be able to handle that kind of activity.

Now, here's another method. I call this one the “tube”. It's got a very clear, set ratio. It's one to one. For every call you make, you make a sale. Or maybe it's one out of two. Still pretty good, right? Maybe not. I call this one the tube as in “down the tubes” because this kind of strategy is based on say, if you're a small contractor, for example, and your brother in law is an architect, he's giving you all your business. What if your brother in law decides that he's upset with you? What if your sister gets divorced? What if you mess up a job, or he just decides he's finished with you, for whatever reason? If any of these things happen, you're out of business.

There are certain large companies that specialize in cultivating “tube” tentacles. I'm not going to name any names, but let's say it's “ABC”, a retailer. They're the biggest retailer in the world, and they want to buy everything you've got. Sounds great, right?



So you gear up, you spend a bunch of money that you borrowed on your house, and now you're building little widgets for the ABC company, and they're selling them all, and you're going: "Yahoo! This is really great!" Let's say you've got a million dollars invested in your company. You're all excited. You're definitely a winner!

...But then, ABC comes to you and says: "We want to buy your company, and we only want to pay you fifty thousand dollars for it."

“No way,” you say. “I’ve invested a million dollars in this company.”

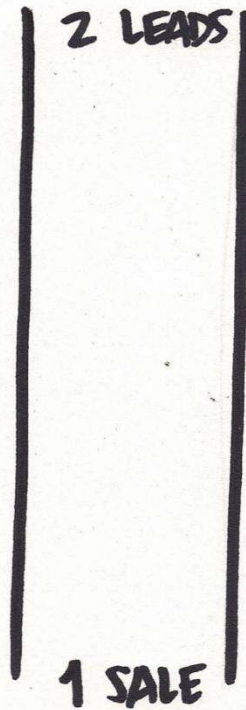
So they say: “Fine. We’re cancelling all our orders, then.”

You’re done.

It’s happened more than once. This kind of thing happens all the time, in fact, in the software industry. So never have one client you can’t afford to lose, because your business is far too vulnerable that way. In other words, that one to one ratio is too small.

The ideal sales ratio is wide enough that you’re not counting on any one client for the majority of your business, yet narrow enough to be doable. It has to make sense. That’s the perfect ratio.

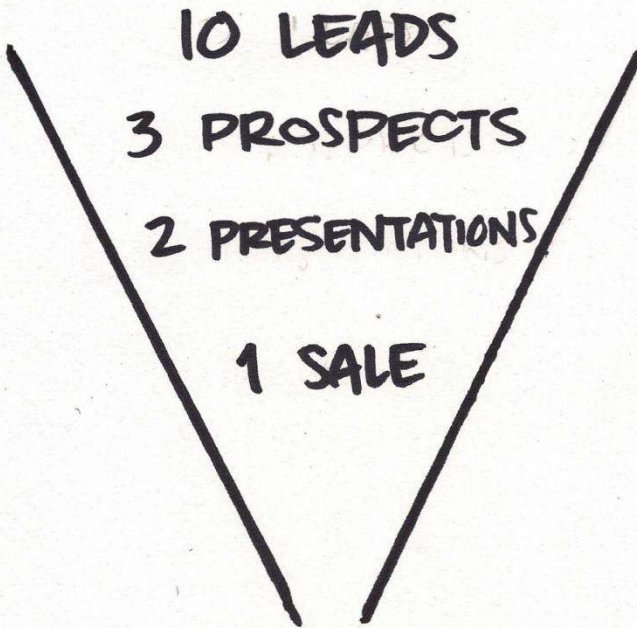
"DOWN THE TUBES"



- ① EASY TO DO
- ② EASY TO LOSE

*** DO NOT RELY ON ANY ONE
CLIENT THAT YOU CANNOT
AFFORD TO LOSE!**

SALES FUNNEL



- ① NARROW ENOUGH TO BE DOABLE
- ② WIDE ENOUGH TO ENSURE SUCCESS
- ③ NOT RELIANT ON ONE CLIENT
YOU CANNOT AFFORD TO LOSE

CHAPTER ELEVEN:

Full Circle Marketing

I'm going to share one of the most effective marketing techniques there is with you. I call it “full circle marketing”, and I'm not sure whether I invented it or not. It's actually a very intuitive idea, and I'm sure someone else has stumbled on some form of it at some point in the past, but here's how my version works...

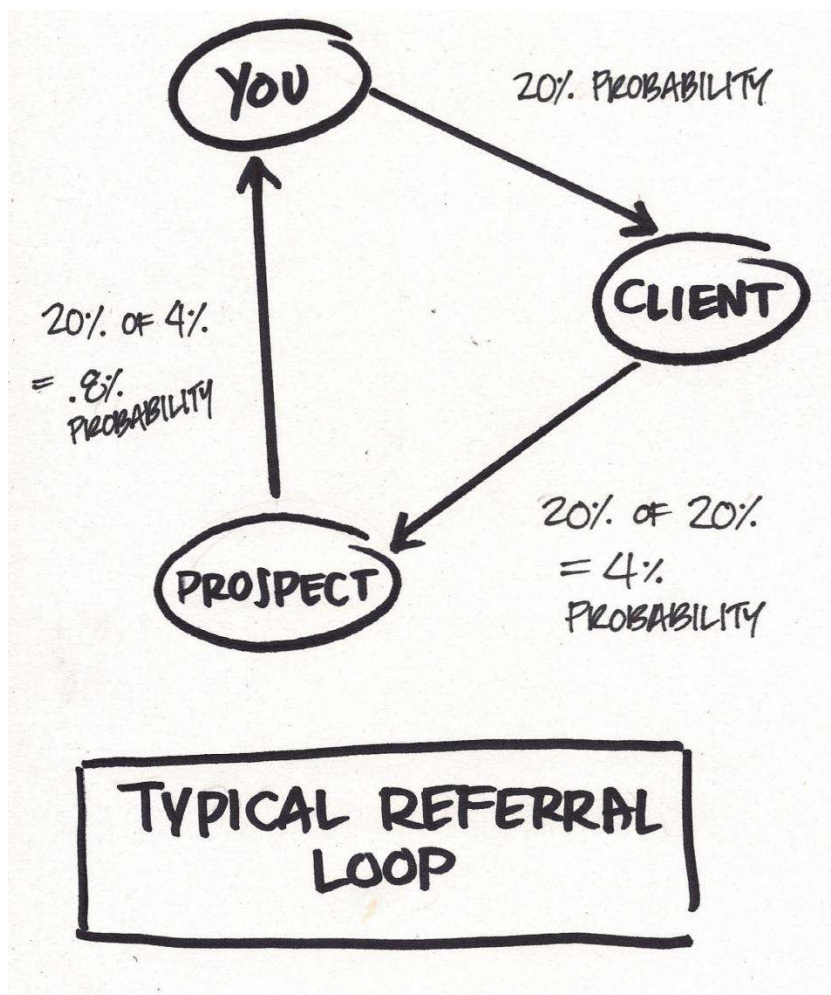
First, ask yourself, “How do most referrals happen?” Referrals can come about in lots of different ways, but perhaps the most common is that you do some good work for a client, and then you ask them to refer you to other prospects. Your client refers you to your prospect and your prospect calls you. Sometimes a sale results from this. Sometimes it doesn't. This is what's called the classic referral loop.

Let's take a minute to look at the numbers involved in how this works. Let's say the chance that you will ask a client for a referral is twenty percent. You ask some clients to refer you, and at other times you forget to for some reason, or maybe you're hesitant and you let your insecurity get the better of you. Whatever the case maybe, let's just go with this twenty percent number and see where it takes us.

In order for your request to actually result in a referral, the client has to tell the prospect about you, of course. They have to follow through. As it's not likely that this will happen one hundred percent of the time, let us say that there is also a twenty percent chance of the client actually making the referral.

So what happened here? Well, twenty percent of twenty percent is four percent. All of a sudden the numbers aren't looking so good. The chances that you will actually be getting that referral are starting to seem pretty slim.

Then, of course, your prospect has to call you. If we say, again, that there's a twenty percent chance of this happening, then when we do the math we can see that there's actually less than a one percent chance that you'll be hearing from your prospect. Things are looking pretty grim at this point, but what if we were able to increase this number by a hundred-fold? It's possible, and I'm going to tell you how.



First of all, instead of mentioning referrals to only twenty percent of your customers, mention it to as many as possible. When you've finished the job for your client, go to them and say, "You know, I would really love to have more great people like you to work for." It has to be true when you say it. If you didn't have a positive experience working with this client

than these would be the only circumstances in which I would actually recommend not mentioning referrals. Chances are they might give you a bad review, and in any case if they do refer you, they're likely to attract more people like themselves to you: people who are hard to work for, and you don't want that. Having clients who tell you what they want up front and pay what they agreed to pay is what we're after, here.

So make sure it's a client you really like, and for all of these, let them know that you'd love to have more great people just like them to work with. More often than not, they'll say, "Sure, I may know a couple of people who can use your help." So now, you've brought your numbers up to one hundred percent, because you're asking for referrals one hundred percent of the time.

Another important thing is to get the names of the people they're going to refer you to. This will make them think about it more in detail. "Who am I going to refer?" If they have to go through the thought process of coming up with a list of names, it's more likely that they'll actually go ahead and make the referral. Also, be sure to make a list of these names, along with their contact info, whenever possible. It's good to have a

database of the names of all your clients and prospects; you can make it an act file or an outlook file, or whatever it is you're working with. This will make your life a whole lot easier when, down the line, these prospects turn into clients and you need to check your accounts receivable or accounts payable and see who owes you money, and who you need to pay money to. It's all right there in your database. If the client or prospect is a member of a business group or association, try to get a list of the names and information for everyone in the organization. Let's say your client is an architect. It's likely they're going to be a member of some kind of architectural society, and you need to take advantage of things like this, because people in the same profession need the same kinds of services. If you're a small contractor, for instance, and you're able to get recommended by the architect to the home owner because you did such a great job for the architect when they hired you for a job, you can see how that's going to turn out great. Most people have a list of contacts in their phone.

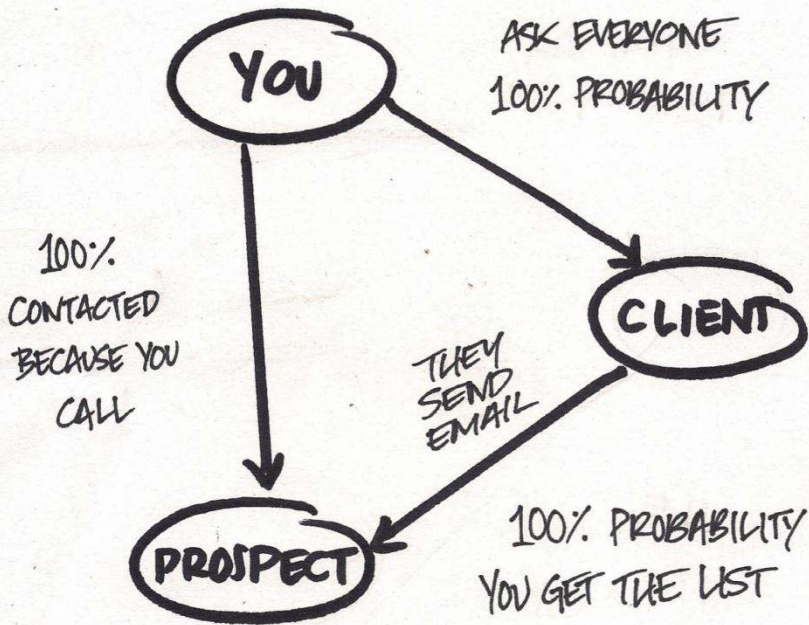
Now that you're asking one hundred percent of the people you want to work with for referrals, stop asking them to call, and take the initiative yourself. Ask your client: “Would you mind if I gave them (the prospect)

a call or an email, after you've recommended me?" Most of them will say, "Fine." They go down the list of people that you've already created. Let's say all the business people that they know are members of the "ABC Club". Your client will go down the list of prospects: check, check, check. "Well," they'll say. "I'd be happy to recommend you to these ten people." Great.

The client emails the prospects. The email says something like, for example: "I don't know if you're in the market for a contractor, but we've been working with ABC Construction and the results they do a great job. Ask them to give you a call. I'm sure you'll find it's time well spent."

This is all very positive, but like I said, you've got to take the initiative. People are busy, and as much as your skills and services might sound like just what they need while they read that email, chances are they may just move on to something else. "I'll do it later," they say. In time, the email gets buried in their inbox somewhere, and eventually, they forget all about it. You've got to make sure that the connection happens.

FULL CIRCLE MARKETING LOOP



You call the prospect. Hopefully it's all been set up previously by your client, but even if you don't have an appointment to speak with your prospect, the recommendation from your client is going to give you an edge that you wouldn't have in a cold call. When you get the prospect on the line you say: "Hi there, John Smith referred me to you. I'd love to talk to you for a little bit about your home."

Now you've completed the loop! Your new ratio is one hundred percent to one hundred percent. Now it's time to close. Let's say your closing percentage is one out of ten, or ten percent. This is not that great a percentage in the field of closing, but just for as an example, let's go with that number. So if it's one out of ten, and your client has referred you to ten prospects, that's one new client for every existing client that you already have. Or maybe more, Remember, we were being conservative in our estimate of what your closing percentage is going to be.

Let's say your average client is worth ten thousand dollars. This means that every name you put into your database is worth one thousand dollars on average, when you use this system. It's a great system. It works one hundred percent of the time. I've been teaching it to people for over thirty years, and the results are consistent. You can use this loop to increase the flow of business to your company, and the greatest thing about it is: how much did this all cost you? The answer is: zero dollars! You don't have to invest any money in this approach, you just have to take the time to follow up on your referrals. Instead of paying for advertisements in the paper, or on a big website, or a bus bench, whatever the case may be, you're relying on the best kind of advertising there is:

word of mouth. It costs you nothing, but you have to implement it, and you have to follow up in order to make it work. If you really apply this technique, it will change your business and your life for the better, guaranteed.

Activating Your Natural Market

One way of what I like to call “activating your natural market” is simply working with the people that you already know, getting them to make that introductory call, or send that email talking you up to the prospect. Take a look through your email contacts, go through your entire list, and start rating prospects from one to five. The factors you'll use for determining how valuable a prospect is are things like how well you know the prospect. A “one” would be someone whose name you have trouble remembering, while a “five” would be your best buddy. Then you want to go back over this list and rate your contacts on their potential ability to produce business for you. A “one” is someone who probably can't be very helpful for whatever reason, and a “five” is a person who can produce contacts for you right now because of their great networking skills, their extensive list of clients, whatever the case may be. Add these two numbers

together, and you come out with a number between two and ten. When you're done you're ready to start reaching out to your prospects and close some sales. Start off right away with your “tens”. You've only got so much in the way of time and resources to go after these prospects, so it's important to call on the right people from the get go. Start with the “tens” and work your way down. Your early success will give you the confidence you need to close with your more difficult prospects further down the list. Revise your list every couple of months, as you get more contacts. Having this all figured out in advance is a very good way to know where to spend your valuable time when you're making sales calls.

ASSESSING YOUR NATURAL MARKET

PEOPLE YOU KNOW	HOW WELL KNOWN	ABILITY TO PROVIDE BUSINESS	TOTAL SCORE
JOHN	5	5	10
MARY	5	4	9
FRANK	4	5	9
PAUL	4	4	8
SID	3	4	7
BOB	4	3	7
FRAN	3	3	6
GARY	3	2	5
MARK	3	1	4
CATHY	2	1	3

* START with 10's and WORK DOWN

The Magic Wand Question

You've probably heard the expression before that when you're making sales calls you're “trying to find somebody's pain”. Finding out their problems, and what their needs are in the course of a conversation is how you'll be able to close sales. In order to find out what their “pain” is, you've got to get them to tell you. The way to find their “pain” is to ask the best open ended question, and let them fill in the blanks for you. You say, for example: “If as your contractor, I had a magic wand that could go “Zap!” and change your project in any way, what would that be?”

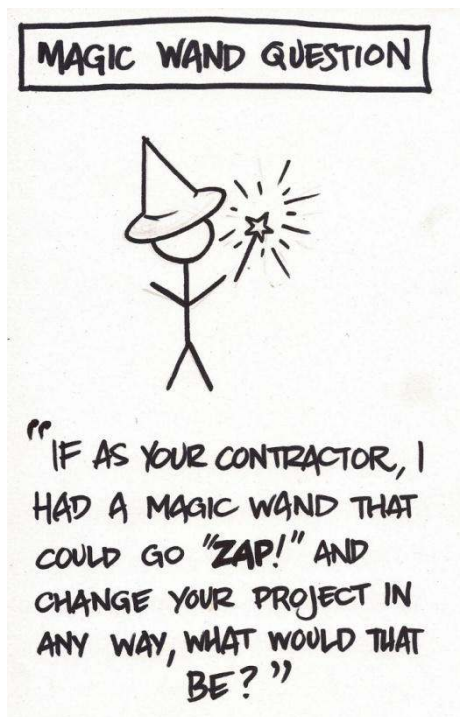
Then you *shut up*, and listen.

This is very important to remember. You can't find out what they need if you're not a good listener. The best sales calls are two way conversations. If your prospect feels nothing coming from you but pressure to buy, that doesn't usually work out. Let them talk, and as you listen you will find out what their “pain” is and give yourself time to come up with a solution to their problems. Half or more of selling is knowing when to be quiet. Whatever they say, for instance: “I really need to find a way to build this project for less money,” you can turn that into a sale.

You respond to their needs: “If I can show you a way to build it for less, would you be interested in doing business with me?”

Then, once again, you *shut up*.

Your prospect is going to do one of two things at this point in the conversation. They're either going to come back at you with a “yes”, or they're going to answer you with an objection. “I'd love to talk to you, but right now I really have to feed my dog.” This is just a humorous example. Really, it doesn't matter what their objection is.



Whatever they say, you re-state their objection, then bring the conversation back around to your selling points. You say, “I understand. Your dog is really hungry right now, and you've got to go feed it, but after you feed your dog, if I could show you a way to build your project for less, could we do business?”

Don't Give Up

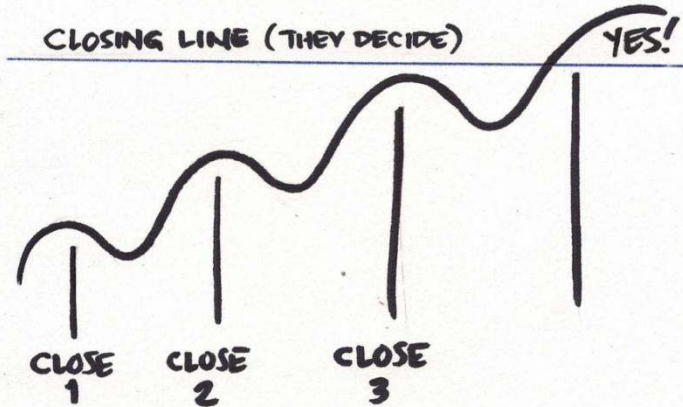
You may have to go through this process of asking four or five times before you get the sale. Most people give up too early. They're not using any kind of sales technique, just winging it. To them, “no” means no, but to an experienced seller, “no” is just the beginning of a conversation. The important thing to remember here is that most of your prospects won't actually use the word “no”. They'll give a reason why they can't do what you want them to right now, a kind of veiled “no”. You've got to take advantage of this to get the conversation back around to the point you're trying to make: whatever their “pain” is, you have the solution that will make it go away. Effective sales questions, such as the “magic wand” question, will work well for contractors. The subject of the sentence is the only thing that changes. The rest of the wording stays the same, and applies to every prospect. You sell benefits, you don't sell features.

Sell Benefits, Not Features

Here's a commercial that has seared itself into my brain: there's a road house out in the middle of nowhere, and in front of it there are three guys standing around a motorcycle. There was one attractive woman walking towards the motorcycle. The ad was really pretty simple: the woman walks out towards the motorcycle, she looks around. Two of the guys look really sad, and one of them looks very happy. The woman looks at the guy who looks really happy, and then she gets on the back of motorcycle with him, and rides off. What is this commercial telling you about the motorcycle? They're selling a benefit: you have the motorcycle, women think the motorcycle is sexy, you attract women. They weren't telling you how many CC's the motorcycle had, how fast it was, what its compression ratio is, they were selling a benefit: buy the bike, get the girl.

Likewise, when you're selling, you need to do the same. Sell the benefit. If you're selling a car, for example, you sell the fact that it goes really fast and it looks very cool. This is how good advertising works. A good ad can implant the idea in a prospect that if they drink a certain brand of beer they will be more attractive than if they drink the other brand. This is crazy, but people see it and subconsciously end up believing it.

THE CLOSING CURVE



- ① KEEP CLOSING, DON'T GIVE UP TOO EARLY!
- ② ASK CLOSING QUESTION —THEN SHUT UP!
- ③ RESTATE OBJECTION AND CLOSE AGAIN
- ④ THE CLOSER YOU GET TO YES, THE MORE UNCOMFORTABLE IT GETS UNTIL THEY SAY YES!

So remember: sell benefits, do not sell features. That's how you're going to be most successful at selling, because believe it or not, it's true: it's emotion, not logic, that closes sales.

CHAPTER TWELVE:

Changing Behaviors

Training Rats

How do we change our behavior? When something that we're doing is dragging us down or stopping us from being successful, how can we correct this? That's what we're going to be talking about in this chapter, and it's a very important skill to have. Maybe you're trying to change your own behavior, or maybe it's an employee's, which is even harder. It may even feel sometimes like it just can't be done; as if it's impossible to erase behavior patterns. Certain behaviors are so ingrained, it's hard to imagine living without them, though they may be unattractive or even harmful.

To illustrate how to do this, I like to use the analogy of training a rat inside a maze. If you're trying to train a rat inside a maze, there are a couple of things you need to make sure of:

- 1) The rat must be hungry. Since you're using a reward (in this case, food) to motivate the rat, the rat has to actively desire the food.
- 2) The rat has to be close enough to its goal that it won't just give up.

You have to make sure that you put in the food at the proper time. Let's say that your rat is going around in the maze –in this case, the rat symbolizes your employees. If you just putting in food at random, without paying any attention to the relationship between the goal of solving, let's say, one particularly difficult section of the maze, and when you introduce the food, the rat isn't going to make the connection. All it knows is that food is just showing up every now and then as it wanders around the maze. It has no reason to think that if it just keeps wandering at random, the food will stop one day.

You can find yourself in the same situation with your employees, only in this case we're talking in terms of reinforcement and consequences instead of food and solving mazes. One of the problems a lot of employers have is that they fail to establish the connection between the reinforcement they're giving their employee, and the action they want the employee to perform. As an example, let's say you're having a great Monday at work. Everything is going smoothly, and you had a great weekend. So on this day you're treating all your employees extra great. You tell everyone that they're doing a great job. You're giving positive reinforcement, but your employees don't know why. On the other hand, you may have had a bad weekend, and you come back to work in a bad mood. You yell at your

employees, seemingly for no reason, at least as far as they can see. Again, you're giving reinforcement, this time of a negative sort, and again, they haven't a clue why you're doing it.

It's as if you were to suddenly dump food into the rat's maze for no apparent reason, or suddenly begin to starve the rat for several days, apparently at random. Pretty soon, you're going to have a very confused rat. Well, it's the same way with your employees.

What you really need to do when you're trying to get your employees to change their behavior is treat them well when they do well. This is giving them positive reinforcement. And when they perform poorly, you've got to establish clear consequences for this, then deliver on those consequences.

Consequences

Let's talk about consequences for a minute. Take smoking. If one cigarette were enough to give you cancer then no one would smoke. Smoking would not even be an issue. No one would manufacture cigarettes. They would not exist as we know them today. If the first time you ate a banana split, you gained five pounds immediately, you would

know not to eat it, and again, it wouldn't be an issue. If the first time you exercised, you lost five pounds, you wouldn't have to motivate yourself to exercise very often. Again, no issues, here. The problem is, though, that there's usually a considerable period of time between when you start to pick up a bad behavior and its eventual consequences.

For example, let's say your employees never show up on time. They all drift in, one after another, some time between nine and ten. Nobody really seems to care that work actually starts at nine, and it's driving you crazy. So, this is a case where you want to change your employees' behavior. If they're late you may chastise them, or penalize them, or they may lose some of their pay, but it's not consistent or immediate, so it doesn't work.

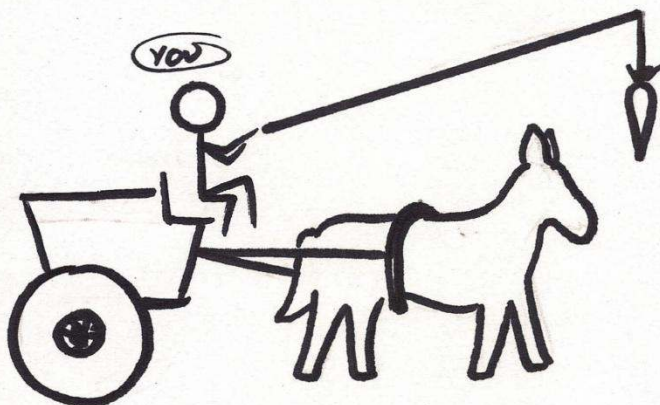
When you're trying to get people to change their behavior, you have to make sure that your reinforcement is appropriate to the situation, and that it's timed correctly to deliver the right message. The closer the reinforcement or consequences are to the behavior, the better this is going to work.

Training Donkeys

Another good analogy is a donkey-cart. If you're trying to motivate a donkey to pull a cart, a couple of things have to happen. Again, like the rat, the donkey has to be hungry. If the donkey is not hungry it's not going to work. So say for example that you're trying to give some positive reinforcement to an employee, and you decide you're going to give them a gift certificate good for a free steak dinner at a top steakhouse. Great, right? Let's say though, that your employee happens to be vegetarian. This isn't going to work is it? You can see how reinforcement doesn't work unless it's tailored to the individual and what they'll be sure to respond to. The rat may want cheese, but the donkey is gonna need a carrot to keep moving.

I don't recommend money as reinforcement, because when you give your employees money they're going to use it to pay for the things they would normally buy anyway. It's likely to disappear into the black hole of debt, and chances are, they won't reflect much on where it came from. When you give them a gift card, or take them out to a meal, or something like that where they get to have a good memory associated with their accomplishment at work, then you're actually giving them a good experience, something that will motivate them more, and probably be more memorable than a small bonus.

HOW TO MOTIVATE A DONKEY



- ① DONKEY MUST BE HUNGRY
- ② DONKEY MUST LIKE CARROTS
- ③ CARROT HAS TO BE CLOSE ENOUGH
- ④ LOAD HAS TO BE LIGHT ENOUGH

Again, just as with the rat, not only does the donkey have to be hungry to be motivated, but if you're feeding it carrots, they have to come often enough that the donkey doesn't just decide it's not worth it and lie

down in the middle of the road. This relates back to what we talked about when we explored the nature of time horizons. The employee has to feel that they can actually make it to the goal, or else the reinforcement seems too far away to matter. It's like the donkey with its carrots. If you're only giving the donkey the promise of one carrot three months from now in return for its hard work now, eventually it will decide its not worth it. You've got to remember that the donkey's time horizon is a relatively short one. Try to identify your employee's time horizons, and reinforce accordingly.

Also, the load that the donkey is carrying can't be too heavy for the donkey to handle. Likewise, employees have to feel like they're not being given more work than they can handle.

Say that you want to change an employee's behavior in a specific way. You have an employee who you'd like to see work harder. They seem to lag behind the other in results, and you'd really like to see more output from them. First, make sure the proper motivation is in place.

Here's a story that's a good illustration of this. I remember I was working with a site work company, and we were trying to get a certain

amount of ground graded on a particular day. So what we did was, we literally drew a line in the sand. We took a can of paint, and we drew a big line. “If you guys can get the dirt moved to here by four o’ clock,” we said, “everybody gets to go home early with free pizza.” Sure enough, it worked out great. The task was clear, and the reinforcement was immediate, and well within the employees’ time horizon. So make sure that when you’re trying to motivate someone that all those elements are in place, and you’ll be successful.

How Vs. Why

Another thing that is important in motivation is the *how* vs. the *why*. After doing consulting for years, I’ve found it’s about ninety percent why and ten percent how to. A lot of people seem to think it’s fifty/fifty, but what I would say to them is that it’s more important to have a good reason for accomplishing something than merely to know how to do it. Of course, that knowledge has to be there, but people will fill whatever gaps they may have in their knowledge if you give them the proper motivation. One way to decide whether you have a motivational or a training problem is to ask yourself: “If I put a gun to their head, can they do it?” If the answer is no, it’s a training problem, if yes, the problem is motivational. Let’s say,

for example, I want you to type two hundred words per minute and you have one day to learn, or you're dead. If the person can't already type at that speed, there's no hope for them. Sticking with the gun to the head analogy, they'd be dead, right? On the other hand, what if I said that I want you to make a hundred thousand dollars this year, or I'll pull the trigger. You'd probably find a way to do it. Who knows how, but you'd find the way. You'd be motivated, that's for sure.

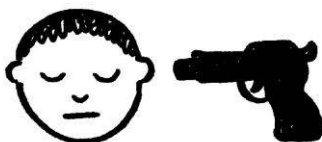
Unfortunately, most businesses spend more time on repetitive training, re-hashing and re-emphasizing the same old techniques, than they do on motivation. I remember taking a course, a long time ago, and the teacher said, "If you have enough reasons, you can accomplish almost anything." For example, if your kid's life depends on it, you can do amazing things, but if you just have an amazing idea, more often than not you'll psych yourself out. "That would be nice," you'll say, "but it's too hard. It's hardly possible." This is why it's important to come up with a good reason to do something. It's just as important as knowing how to do it, and in the end, actually more important in terms of actually getting it done well within a reasonable time frame.

Let's say you want to double your construction business's revenue. This is why things like vision boards work: if you have enough reasons to get it done, the chances go up that you'll do it. If your life depended on it, you could probably double your business's revenue more easily than you would have thought possible. Chances are though, that you don't have enough reasons. What you have to do then, is create reasons. This is where motivation comes in. Give someone enough reasons to do something, and they'll go to it almost as if their life depended on it.

You've got to work on the *why* more than the *how*.

TRAINING VS. MOTIVATION

HOW TO TELL THE DIFFERENCE
BETWEEN A TRAINING PROBLEM
AND A MOTIVATIONAL PROBLEM...



IF YOU PUT A GUN TO YOUR
SUBJECT'S HEAD AND THEY
CAN DO IT, YOU HAVE A
MOTIVATIONAL PROBLEM

IF THEY CANNOT DO IT, YOU
HAVE A TRAINING PROBLEM.

Line in the Sand

Let's try to apply this line of thinking to that unproductive employee we were talking about. Let's say you want your employee to get a report done by a certain date, or you want him to move so much dirt, or get the drywall on a house finished, or whatever it is that you want him to do. How can you give him a reason to get it done on time?

A good example is, in the field of contracting, I've worked with a lot of people that got paid on a time and materials basis. The longer they worked, the more they got paid. Until one day it all changed. Now the business started to work based on contract: a specific job, for a specific amount of money. In the end, in situations like this, we often had to literally get rid of all the old employees and hire a whole new team because the old employees were coming from a culture that believed that the work simply took “as long as it took”. When you needed to know a time-frame on anything, what you'd hear was: “it takes as long as it takes.” In the old days, the longer they worked, the more money the contractor made, and everyone was happy. Now the longer they took, the less money the contractor made, and it's really hard to change that kind of behavior, especially since they weren't motivated by simply getting the job done quickly.

What do you do when you're trying to motivate an employee, especially when you're trying to get something done in a specific amount of time? You have to let them know, in no uncertain terms, when this job is supposed to be done by, and you have to let them know the consequences of not getting it done by that time: we're going to lose money, the company might be at risk, and if the company has to cut back on payroll, the slow workers are going to be the first to go. Otherwise, everyone just sort of “shows up” and puts in a day's work for a day's pay, and in this economy that really isn't enough to make a business work.

WHY = 90%

**How
TO = 10%**

Cow Pies

When you're trying to change your behavior, your thoughts are extremely important. Like I always used to say: “Go where you look”. This can mean just what it says, as in where you physically “look”, but it can also mean to go where you look “mentally”, or in your mind's eye.

To illustrate this, I like to use the analogy of the paratrooper's parachute. Let's say you're jumping out of a plane and you're going to parachute into a field. You're looking at the field, it's a beautiful green field, it's a beautiful day, for that matter, and you're parachuting down, and you love what you're doing. The air is whisking past you, you open the chute, you're there. As you look down at the field, you see there's really nothing there. When you land, you think, you're going to be the only thing in this field for as far as the eye can see. Suddenly, though, you do see this one spot where cows have been hanging out, and there are a bunch of cow pies. Other than that, this field is looking pretty nice, but this one aspect of it is slimy and disgusting, with cow pies everywhere. You start saying to yourself, over and over: "Anything but the cow pie. Anything but the cow pie." It becomes a mantra, an obsession. Pretty soon, all of your unconscious movements, the way you're controlling the chute, everything's turning into nothing but "cow pie, cow pie, cow pie," in your mind. Before you know it, you're heading towards the cow pies. The more intensely you want to avoid it, the more you focus on it, the more you're drawn towards it, and before you know it...squelch!...you're in the cow pie.

The same thing happens in business. Let's say you're in financial trouble. Your biggest fear is bankruptcy, and all the time you're saying:

“Anything but bankruptcy. Anything but bankruptcy.” Bankruptcy becomes your predominant thought. Chances are you'll be declaring bankruptcy sometime soon. Or let's say you have a fear of being sued. In this case, your mantra becomes “Please don't sue me. Please don't sue. Don't sue. Don't sue. Sue. Sue. Sue.”

Fear is a very strong motivator, and the thing is, your brain generally can't distinguish between negative and positive reinforcement of a thing. It just focuses on the thing itself. So when you're saying “No bankruptcy. No bankruptcy.” or “Don't sue. Don't sue.”, your brain doesn't hear the “no” or the “don't”, it just registers: “bankruptcy”, or “lawsuit”, over and over again.

As we focus on our fears, we unconsciously head straight toward them.

So how do we avoid the cow pie? How do I avoid bankruptcy, or whatever it is I'm afraid of? How do I avoid the fear?

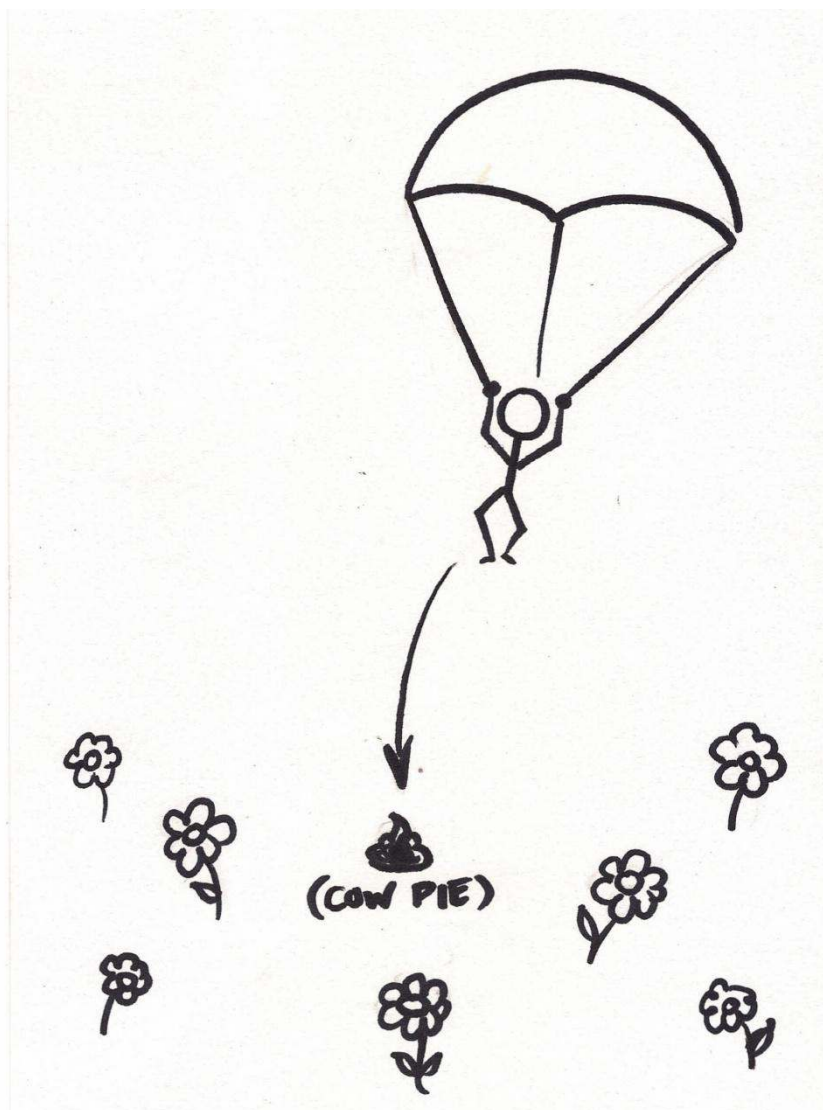
What if I say to you, “you can think about anything you want for the next ten seconds, but don't think about the color red...go!”? You can't

think of anything but red, right? I've said it, and now it's planted in your mind. Your brain didn't hear the “don't”, it just heard “red”, and there it is in your head. The way to get around this is, instead of saying to yourself, “I'm not going to think about bankruptcy, I'm not going to think about employee problems, I'm not going to think about divorce...”, you focus on something you like. ”Look at that beautiful field of flowers.” You distract yourself from the negative, by focusing on the positive.

Likewise, when an employee is always repeating some behavior you can't stand, instead of saying “you're always late”, or “you're a bad employee, you know that?”, say: “I really like the way you pulled off that piece of carpentry there”, or: “that fence really looks good and straight.” Try to catch them when they're doing something good, and let them know you see it. You're distracting your brain from focusing on the negative and choosing to focus on the positive instead.

This works with employees. It also works with relationships of all kinds. Let's say you have a client, the “client from hell”, so to speak. They're high maintenance, and, oh boy, you know they're going to take any and every opportunity to stiff you, so you better be on your toes. You know it's going to be bad, but the more you focus on that, the more you're

giving off negativity, the greater the chances are that the client is actually going to do those things. It's a self-fulfilling prophecy. The client picks up on your attitude, and responds accordingly.



So if you find yourself heading in that direction with a client, think of the cow pie story, and think: “Well, what's good about this client? What do I like about this client?” Chances are if you focus on what you like, you're going to have a better experience with that client in the future. They may even stop being “the client from hell”, and morph into one of your favorite people to work with, all because they can sense your change in attitude. A lot of this stuff is happening subconsciously, but that doesn't mean it's not happening, so be aware of it, and take control.

Focus on the positive: mentally, physically, spiritually. Remember to do this, and it'll help you to get where you want to go.

CHAPTER THIRTEEN:

Employees and Advisers

Hire People Who are Smarter than You

As a small contractor, or whatever business you may be in, it's important to remember that you're only as good as your employees. It may sound strange, but the best thing that I can recommend is to hire people that are smarter or more skilled, at least in some specific area, than you are. This is one of many ways to make sure that you are represented well by your employees, and it also helps to balance out your organization and fill any gaps you may have in your own skill set.

A lot of employers tend to hire employees that aren't quite as good as what they do as the employer is. They want to be the smartest person at the table, which is a natural desire, but in reality, this is never a good strategy. What you want to be doing then, is to hire people that are smarter than you, especially people who are good at the things that you may not be so good at. There may be things that you don't like to do, but which are necessary for the day to day running of your business. We all have certain activities that, either because we're not very good at them, or maybe they just bore us, we'd rather not spend time on. The key in hiring is to find

someone who likes doing these activities so much, and who excels at them. The fact is that if you're a small contractor running your own business, at this point in your life your tastes are pretty developed, and if you don't like doing something now, the chances are that you're not going to learn to like doing it. Equally, if you're not good at something by now, it will take a huge investment of time and energy to train yourself to be better at it, often with fairly minimal results.

In the organizations I've started, for instance, there's a lot of writing involved, and I like to write, but I don't love to write. Especially if there's a lot of editing involved, I can get burned out quite easily. Because of this, I've learned that it's better for me to hire a writer to help me get my ideas across. If you can identify areas like this in your business where you most need help, this can make it easier for you when deciding which people, with which skill sets, you need to hire. In my case, freed from the burden of writing, I can focus on what I do best, which is coaching and consulting, confident in the fact that I have excellent people taking care of that side of the business for me. These consultants are better at writing than me, and by acknowledging and accepting this, I'm helping myself and my business.

What I recommend is that you make a list of all the things you want or need to do to be successful, and if you know that you don't want to do it yourself, or know from experience that you're not likely to be very good at it, you need to get somebody else who has a flair for that activity, who loves to do it, and who excels at it. If a task is fun for you, if it's a chance to enjoy showing off your skills, that's what you ought to be doing. On the other hand, if it's more like work, hire someone else. You can think of it this way: If it's your “play”, do it yourself, if it's your “work”, let somebody else do it. Make sure it's their “play”, and you're making sure it gets done well. This way everyone is doing what they do best, and you're getting the most out of yourself and your team. Your efficiency is maximized.

You Cannot Motivate People

Another extremely important thing to remember is that you can't motivate people. The sooner you admit this, the better off you'll be. The only solution is to hire motivated people, people who can see a project through from beginning to end, who won't procrastinate or get stalled at a particular point in the process. Using the writing example again, you want to hire someone who loves writing, who is already motivated to get results.

These kind of people are out there, you just have to put in the time to find them. Be selective. Hold out for somebody really good. Someone who's motivated, and knows from past experience that they can get results. People who are second guessing themselves all the time as they work are more likely to fail. These people are handicapped by their own insecurity, and that's not the kind of person you want on your team.

**YOU CAN NOT
MOTIVATE PEOPLE.**

**HIRE
MOTIVATED
PEOPLE.**

You can't get people to do something well if they don't want to do. If you're forcing them to do something, the results will never be good. Eventually, they'll just give up. I've seen it happen before. The world's worst employee is one who's not bad enough to fire, but not good enough

to keep. It's like a kind of purgatory, for you and for them, and if you don't watch out during the hiring process, you may find that your entire organization is made up of people like this. The good people will leave an organization like this quickly, because they're going to do their own thing. They don't want to be surrounded by mediocrity.

Why it is Your Fault

Employees only have three problems. This is something you want to remember, and look for. The three problems are:

1) They're not the right person. You hire them, and it quickly becomes obvious that they're not motivated. That's your issue. After all, you're the one who chose them.

2) They're not trained.

Again, you've got to take responsibility for this. All employee problems are really your problems. Which brings me to number three:

3) They're not willing to take responsibility. These people are always trying to shift the blame for their failures. No matter what happens it's not their fault. They're always the victim.

And you hired them.

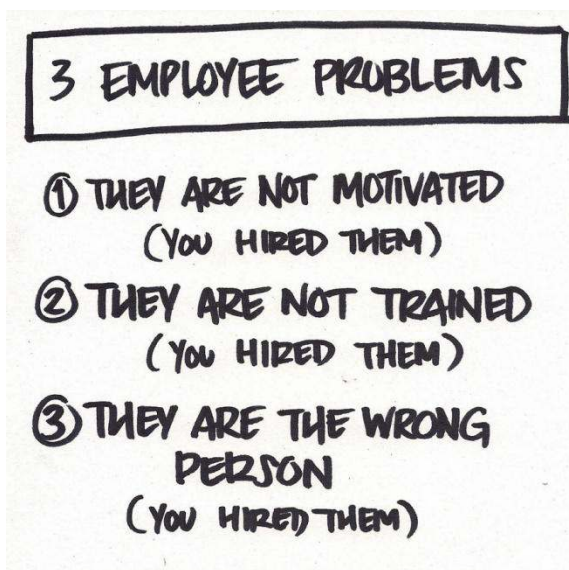
I can't stress enough how important it is to surround yourself with great, capable people. You can train people to develop skills, but you can't train them psychologically. This is why it's so important to hire motivated people, because it comes from their background: where they were born, the people that influenced them. Ninety percent of what's inside people's heads is subconscious. Their brains have been trained to act a certain way long before they ever came into contact with you. Most of this training actually happened before they were even five years old, and it's a waste of time to try to change it.

The Bell Curve

Try to imagine it as a curve: a bell-shaped curve of humanity. On one end of the curve are people who take a hundred percent responsibility for their lives. If their car gets hit in a parking lot, they think to themselves:

“Why did I park it there?” On the other end, there are people who take zero percent responsibility.

Most people are in the middle somewhere. They take varying degrees of responsibility for their lives, depending on the circumstances and their personality. What you want to do is to hire people that take as much responsibility as possible. It will make your life a lot easier if you find the people on that side of the bell curve, otherwise your employees become like surrogate children that you always have to monitor. You have to keep tabs on what they're doing all the time to make sure they don't mess something up.



A great way to tell where on the curve a prospective employee falls is to pay attention during the hiring process; if they said things like: “My last boss was really horrible”, or “My wife left me because she wasn't loyal”, or “My kids are in jail because of the people they hang out with”, that shows that this is a person who is not willing to take responsibility for their life. As a result of this, all kinds of drama rises up all around them. They don't feel responsible for their own life. They are allowing their self to be overwhelmed by events instead of buckling down and finding a solution. You don't want to hire these people, because these kinds of qualities are things they will bring to work. You don't need all that drama in the workplace.

On the other hand, if a person says “Honestly, the reason I left my last job is because I probably wasn't a good fit. I couldn't do the things my employer wanted me to do”, they're taking a hundred percent responsibility for their actions. The chances are that this kind of person will make a great employee.

Bear in mind though, it's estimated that it takes 10,000 hours of repetition to become highly competent at a task, to be able to do it automatically. So, you want to make sure that you're hiring someone who

will take the responsibility to put in the time and really absorb their training, because when they first start out, and for a long time after that, even, they're going to have to really push their self to succeed. It's not going to come if they don't put in the time.



During the hiring process, make sure to ask them why they left their last job. The more they use “I” sentences, as opposed to “they” sentences, the better off you're going to be. You want to create a pool of those kind of people. People who take responsibility for their life.

Never Stop Looking

Two of the most important factors in any business are having a pool of qualified prospects: people you can sell things to, and having a pool of qualified employees: people to do the work. Whatever may come up, if you have good employees and good prospects, you can almost always put the process together to deliver the goods or services that your business produces, and reap the rewards.

A problem many businesses have is that once they get busy, if they don't have the right people they stop moving forward. Sales, recruitment, all the things that made them successful in the first place, are neglected, and the business begins to suffer down the road as a result. If this goes on for too long, the business starts to fall apart. Eventually, if these areas are neglected for long enough, they find themselves either with more activity than their staff is capable of handling, or even worse, if they neglect sales, eventually they find that there is no more business coming up because they didn't focus on sales.

Just because you're busy today, doesn't mean you're guaranteed to be busy tomorrow. You find yourself going up and down on the curve that we talked about in an earlier course. This is just one more reason why you

want to make sure you're hiring people who take responsibility, people who won't say something like, "Well, we were so busy I guess I just forgot to make some more sales for the future. It didn't seem necessary at the time." You don't want people who make excuses, so look for this tendency when you're in the hiring process. Resurrection is harder than birth. Rebuilding something that's already failed once is more difficult than just starting out, and when you hire someone who's really bad, getting rid of them can be very difficult. So make sure you take the time to find good people just like you find good clients and your business will work much better.

How an Employee Earns Their Job

Once you've got those employees, that are motivated, that take responsibility for their lives, you want to set clear and measurable goals. One simple way to do this is to draw three lines. Easy enough, right? You can put them up in the office on a piece of paper as a visual aid. It's the idea the lines represent that is the important thing: that there are standards that all your people have to meet. Again: *measurable goals*.

Let's say you're in sales and let's say the sales goal is selling a hundred thousand a month. You draw one line at the top, representing a

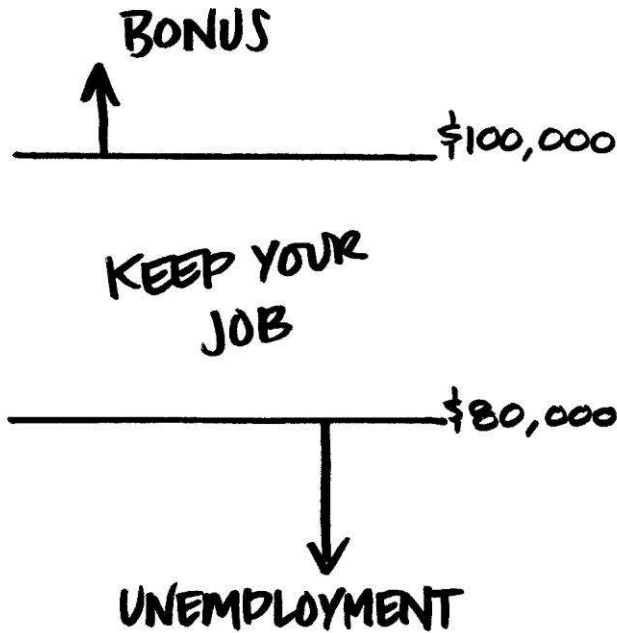
hundred thousand in sales. Employees who sell above this line get a bonus. Congratulations, good job!

You draw a second line below the first, representing eighty thousand dollars. Employees whose sales fall somewhere between the first two lines get to keep their jobs. They've made their *quota*,. That is, they've accomplished the bare minimum that you expect from all your employees.

An employee who sells less than eighty thousand a month hasn't earned their job, and they will soon find themselves unemployed.

It's important that employees see those lines. This way, they clearly know what's bonus, what's unemployment, and what's keeping your job, because if they don't they will try to figure it out. Unanswered questions can be an unwelcome distraction, leading to water-cooler gossip and grumbling, and taking employees' focus away from where it should be: their work. When employees feel that they don't know what's expected of them, this feeling can add unnecessary pressure and anxiety to the work environment. By setting measurable goals for your staff, you're giving them the tools they need to be successful.

SET CLEAR GOALS



It's What You Do, Not What You Say

Another valuable thing to know is that what you do is much more important than what you say. Let's say you have a goal that says, if you're late three times, you don't work here anymore. If one of your employees is late six times and still works there then, effectively, there is no rule. The magic number could be seven times, it could be any number. Nobody

knows. There's the words that say three times, but since you didn't follow through, they're meaningless.

This kind of thing reminds me of trying to get my son to go to bed. I'd say to him, "John, bed time is ten o' clock." When the time came, I'd come in and say "John, go to bed," but John wouldn't go to bed. Again at ten thirty, the same scene would repeat, and he still wouldn't go to bed. And then finally at eleven, I'd turn off the television and physically put him into the bed.

What does this signify? Obviously, if John thinks about it, he will come to the conclusion that even though I may say that bed time is ten o' clock, it's really eleven o' clock.

Likewise, when you're setting guidelines and goals for your employees, what you do is very important. Having meaningless goals and rules that are never enforced is a bit like playing basketball without a hoop. It's a very boring game, and there's no way to know who's winning or losing.

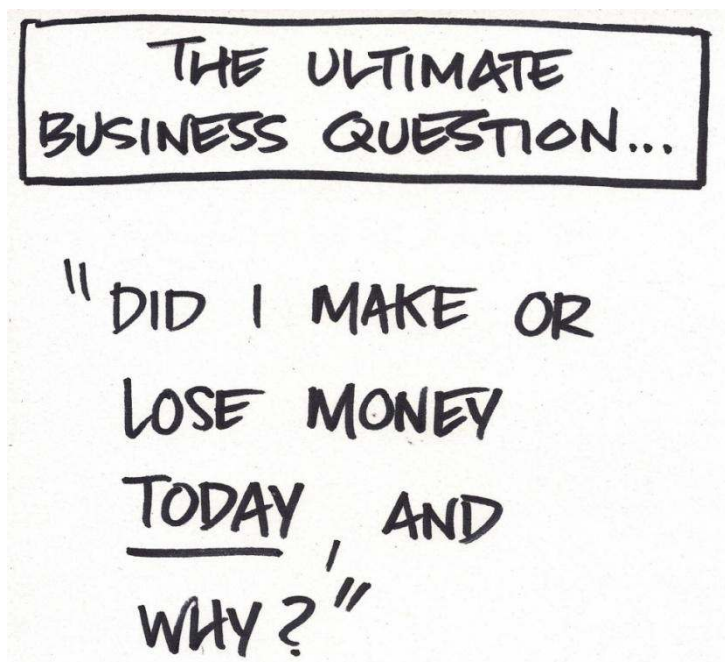
Your employees need to know exactly what they need to do. They need to know what is a great job, what is an adequate job, and what is an unacceptable level of performance that will eventually lead to termination. This way, if they under-perform, it's like they fired themselves.

When you're in business it's important to make these goals daily, weekly, and monthly. If they're stretched out over an unnecessarily long length of time, it's not likely to work out. The ultimate question, for small contractors, or whatever business you're in, is: did I make or lose money today? If so, why? If not, why? I think it's important for employees to know: "did I do a good job today or not, and why?"

How do you determine this? I believe goals should be activity driven. If you're selling widgets, for example, you probably can't sell a widget every day, but you can certainly make five sales calls every day.

When you're setting those standards they can be activity standards, not necessarily result standards, because results will come from activities. Sometimes results take a while, especially in sales. It's not like retail where you're shooting for a certain number of units every hour or even every ten minutes. Make sure that your employees know that meeting activity goals will lead to a bonus, and that failure to meet them will have

consequences. If you do this, you're letting them create their own reality, whether it be a bonus or unemployment. They'll know it's up to them to earn their job.



Good Advisers

Besides good employees you need good advisers. Your advisers include your attorney, your accountant, your business coach, your consultant(s), your webmaster, etc. In today's business environment, pretty much anything that you need can be outsourced. You can have a business and outsource everything. Sometimes you can hire somebody in the form of a consultant, who you normally have to pay a hundred thousand dollars

a year if they're an employee, but you can pay them \$1,000 a month for their advice and get better leverage. You can also have an advisory board, made up of people whose advice you trust. This doesn't have to be an official employee situation. Sometimes you can just buy someone lunch and get their expert opinion for the price of a meal. Get creative with how you get advice, and shop around. Remember, you can't expect yourself to be an expert on everything, and sometimes you'll need to consult someone outside on decisions that can make or break your business. The important thing to remember here is that you don't have to be an expert on anything except finding good people who are expert in the area you're looking for.

It really helps if you've got a good sales coach, a good coach for the accounting side of things, a good attorney to make sure you've got all the rules straight, a good internet person who's savvy in marketing, a media person who prepares your videos or designs your advertising. Just make sure you have a high quality team because that is what's going to result in business. Choose the best people, not the least expensive, because sometimes the least expensive people are not actually the best value for your money. You don't want to end up with someone who, although they're cheap, doesn't provide you with top notch advice. You want to find somebody who's really good at sales, somebody who's a really good

attorney with an established legal record. You don't want to end up with the guy who always loses. You don't want to have an accountant who ends up costing you a fortune in taxes. Make sure you've got the right advisers and don't be afraid to make changes in your team. If your business grows, your attitude or outlook may need to change. You may find that you've outgrown certain strategies that worked well in a smaller market, but don't seem to pan out as well in a larger one. If someone just doesn't click with you personality-wise, it's okay to shift your team and make changes.

I hope I've conveyed to you the importance of having a good team, because when you do, it's going to make doing business a lot easier for you, and that's how it should be. Remember, work smart not hard!