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Jaime: Welcome to Eventual Millionaire. I am Jaime Masters and today on the show we have Diana House. You can check her out on Dianahouse.com. She sold two businesses in the eCom space. She's even been on Dragons' Den and made a deal. Thanks so much for coming on the show today.

Diana: Thanks so much for having me Jaime, I love your podcast so much.

Jaime: Your bio sounds really amazing also, by the way. It's like I did this, I did that, I did that, and I've known you for a few years and seen you build out like the eCom company from before. Tell me a little bit about that and how it was to build it and to sell it.

Diana: Yeah, so I am just starting I think my 10<sup>th</sup> year as an entrepreneur. And I started my first ecommerce company right after finishing law school, selling all my belongings, and fleeing to Bali. And When I started the first ecommerce company, ecommerce wasn't really a thing. Being an entrepreneur was not yet on trend. So, it was all a very new space. I don't think podcasts were even – they maybe existed, but no one was listening to them, so there wasn't a lot supported there. So, I started my first business without really being an entrepreneur. It was an ecommerce company called tinydevotions.com and we were the first company in the luxury yoga jewelry space.

The best way to explain it is if lululemon created jewelry and accessories. So, it was –

Jaime: So, way before – like when we think of digital nomads right now and they all go to Bali and they all create eCom stores because that's sort of the trend now, you were way ahead of that trend, right?

Diana: For sure, and it wasn't because I was brilliant or anything, it was just out of a place of survival and not wanting to be a lawyer. I was so clear in my body that I would really hate law that I was like I need to come up with a different plan and I was very much unemployable at the time. It was 2008 and I applied at 150 jobs outside of law and not even good jobs, like very entry jobs and I was in a new city, I knew no one, and I could not get an interview. So, it was really only because of these circumstances where I was like broke, depressed, had no opportunities that I had to create an opportunity. And thankfully my trip to Bali had sparked this idea about this product that no one was doing in the west.

So, it was a very kind of lucky win.

Jaime: That makes us feel so much better, by the way. Because usually people come on and they're like well I started this thing, I had this amazing idea. And you're like yeah, I had no other options. So, how did you actually get that idea? Because that's the other piece. If you haven't been in business before, having an idea and going bing, this is it! From no knowledge prior and then having it work, how did that come through?

Diana: So, when I talk to people about this, you need to be in a space – a certain kind of space to be able to identify ideas. Ideas are around us all the time, but if you are so busy that you have no white space, the idea does not have the opportunity to drop. And so, for me, I had been in law school for three years, it was very intense, I was very intellectually stimulated for a long time, and going to Bali I was doing a yoga teacher training at the time, I had nothing but space. You know, we would meditate for two hours every morning. I would have so much downtime that it really gave me the space to then be able to start asking myself questions like what is around me?

What opportunities do I have? What's interesting right now? And so, it was really creating so much white space and then being super tuned into everything around me, that when I saw these – I know Ubud in Bali has changed a lot, but I think at the time there was a lot of like really, hipster, cool L.A. kids and they were all wearing these beads. And I'm not particularly cool or fashionable, but I can spot cool. And I was like okay, those people are cool, they're wearing these beads, I'm drawn to them, there might be something here. But I left Bali with three ideas, I thought about importing art from Bali, I thought about being a professional yoga teacher, which I would have been horrible at because I'm not very coordinated, and then also the mala bead idea. So, you have to have the space.

Jaime: That's what – how'd you end up picking that one then?

Diana: So, I wasn't an entrepreneur yet, somebody picked for me. The guy I was dating at the time, when I filled out this business plan – so, I got a grant from the Canadian government, a \$3000.00 grant to get started, which sometimes really shocks people. They're like you only started your company with \$3,000.00? I was like that's really all it takes for a lot of different businesses outside of like tech and

things that involve a lot of manufacturing. And I actually went to him at the time, and he's not an entrepreneur, but he was a third-party observer and I was like what's the company I should start? He looks at me and he's like it's so obvious. People are running up to you when you wear these beads trying to buy them off of you, and I had walked into one of the first lululemon stores in Vancouver, their head designer had come up to me and bought my necklace off of my neck and I still didn't understand that that was the business.

Jaime: Wow. I love that story, it makes us all feel so much better when opportunities go through and you're like how come – I could have – ah... right? Okay, so thank goodness some random third-party non-entrepreneur – not random, a boyfriend, but still, told you the idea that you couldn't actually see. That's awesome. So, tell me a little bit more because that's – you had that company for a long period of time and that market changed a lot. There was a lot of competition as we came. So, kind of tell me the trajectory through line of that business.

Diana: Yeah, it was pretty crazy. We went from a complete blue ocean, borderline too early at the beginning.

Jaime: Really?

Diana: Oh, yeah because we were the only company out here. So, it – people just didn't even understand this concept of – and I almost think I was maybe even a year too early because I don't think I understood how hot of an idea this was and I actually backed off. About two or three years in, I put the company on autopilot and got a job in management because I was horrible at managing people. And in that gap, a lot of different people entered the marketplace in that six-month period. When I did come back from that – I call it an entrepreneur sabbatical, it was like a working vacation, we grew massively. We grew like 77% that year, but at that point, we let some major competitors in.

So, I feel like I've seen a full cycle of being a little bit too early than being in a blue ocean, and then turning into a – like what I call bloody waters red ocean situation.

Jaime: Everybody and their brother's creating one right now. You're like huh, okay.

Diana: It is crazy. So, my hometown, London, Ontario, Canada, I always

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joke that we have the most Mala Bead per capita companies because everyone saw me, and I was doing this and like everyone started a Mala company. So, I got to see the full thing which is such a powerful lesson as an entrepreneur because I've now seen a full cycle. And it was really hard for me to figure out when to do something different and pivot because from day one I had people tell me that I was priced too high. Literally day one and – because I think our products were around the \$108.00 point and I'm really good at finances, which we'll talk about, and I figured it out that I had like a 10x gross-up.

So, we had like really, really, really great margins and people told me from day one it was too expensive. So, five, six, seven years later when people are telling me it's too expensive, I had learnt to like not listen to that. Which is what really served me for the first seven years, but technically what happens when your product goes from blue ocean to red ocean, you actually then have to then lower your margins, lower your prices, and then work on a pivot which I didn't do. And part of the reason why is because I was so not passionate about this space at that point. So, I don't even know if I could have done it even if I knew what to do just because I really didn't care.

Jaime: That's so interesting especially because when you're in it, it's different and your emotions actually affect the entire company whether you want to reduce prices or whether you wanna just sort of be like I don't care anymore. You look over on the other side, right? One thing before we go on though, because you talked about managing people and you got a job because you say you sucked at managing people, tell me more about that because I can – most entrepreneurs are not great at managing people, but they're not willing to admit it. So, can you tell me a little bit more about that?

Diana: Yeah, I really couldn't deny it when I hired a really poor fitting operations manager and in three weeks, she had pretty much taken control of the whole company. I almost didn't have passwords to my own company and I had to let go of the – like the whole team imploded in three weeks of hiring this person. So, I was like pretty devastated and I knew I'm gonna be an entrepreneur for my whole life, I don't need to be best in the whole world at managing people, but I need to be strong enough to be dangerous and to even guide someone. So, I was like I just was like emotionally bankrupt around being an entrepreneur at that point, even though I had a finically successful company.

I was like I can't do it right now and lululemon approached me at the same time and I had the best boss. She – our regional manager was so amazing; her name was Vanessa. She was so cool, she was so chill, but really still firm and great at holding people accountable, but just like more balanced as entrepreneurs are a little bit – usually interesting. And yeah, she just taught me some really great skills and just gave me that foundation that when I came back, I did hire another operations manager. I've had operations managers for like a really long time. My belief is that every visionary entrepreneur must have an operator. Even if you're just starting out, find one that's like four hours a week at \$15.00 an hour.

You must have an operator, so yeah. I'm definitely not the best in the world at managing people. I'm definitely getting better and better, year after year, and I hire people to manage the team because I just know that's not my zone of genius.

Jaime: I love that. Oh, I thought you meant you went somewhere else and then managed their people, so if you screwed it up you could come back to your company later.

Diana: Well, at lululemon I managed a team of I think 50.

Jaime: So you did, that's amazing. What made you decide to go that route? Because you could actually learn from the boss instead? Or where did you get your learnings from? Instead of just doing – trying to do it on your own, in your own company.

Diana: Well, so managing a team of 50 there was already a lot of systems and processes and structures in place because lululemon is a big company. So, just realizing, I think that was probably a piece. There were so many systems and processes in place everything was super clear. Then lululemon is really strong at vision and goal setting and enrolling the team in their visions, so those are pieces that I took from that. And then also having like a weekly one-on-one with my boss, Vanessa. She wasn't in the store, so I had a ton of space and freedom, but every week we'd get on a weekly one-on-one for 30 minutes and that was super powerful and that's something that I take to my team. I always have a weekly one on one with my operator and kind of have followed that format.

Jaime: I'm a disciple of – we say owner and operator and owner box because to me I'm like to me I am – well, I could be a project manager, I used to be. I hate it, every second. I'm a visionary,

ADD, crazy entrepreneur and I need someone to manage the heck out of me. So, thank you for saying this because I don't think entrepreneurs understand that it's okay not to be good at something and most of the time they are really, really bad at the operations side. You have to have a special brain for that.

Diana:

Yeah, so the thing that impacted me the most in this, so I had a lot of guilt around this maybe five years ago, eight years ago. Again, when I'm starting out as an entrepreneur I'm not as mature in this space and I've never worked in the office. Like me working – I've always had a physical office, but I actually don't work in it, my team does. And I remember feeling internally really in conflict about this, like am I a bad owner? Am I a bad boss? Da, da, da, da. And so, I found out one day that Richard Branson has never worked in his office as well. So, what I did, and this is a very extreme example, but I tend to give myself these experiments and things like that to master things, is I went to Necker Island two or three years ago, so I could be around Richard for four or five days and literally see how he functioned and just literally rub shoulders with him so I could embody that and really let it go.

And like now, when I'm interviewing people for new roles, I tell them just, so you know I don't work in the office, I come in for meetings, like I set that expectation. And so, I think when you're first starting out, that's one phase. You have to learn everything to a certain basic level, but after that, it's really about understanding who you are, what is your zone of genius, and like being really honest about that. And I know this book has a lot of hype right now, we're talking about Mike Michalowicz, *Run Like Clockwork*, but it's like finding your QBR, which is your Queen Bee Role. And so, my husband, also an entrepreneur, he is one – like one of the most ADHD people I have ever met in my life, absolute creative genius.

And so, for him it's like literally, he needs someone telling him in five minutes you're literally walking out that door into your car to go to a meeting. Like he has someone literally almost micromanage him to tell him what he's doing and he's not in his inbox, not in his calendar, and it's awesome because that gives him the white space to come up with multimillion-dollar ideas.

Jaime:

So, hey, go these are my strengths, I'm gonna pad myself around for all the other stuff, so I don't have to do anything except those. Give me a little tip though because I know I have a lot of clients who are dealing with this right now, we're getting them out of the

business which is a wonderful, amazing thing, but the guilt-ridden of taking Friday's off or even just leaving at 2:00 or something like that when their employees are still working, is like but I'm supposed to be like the dad. Right, there's so much put into, give me some tips so that way they have a better plan of getting away. Does that make sense?

Diana:

100 per – and that's literally why I went to Necker Island. Like that was my number one reason to go. So, I would say one, get around people that are doing it that will help you normalize it. I think being around people that are doing something is just like so impactful because you start seeing like oh, here's someone else doing this. This is actually normal if you will. I think like journaling and doing like a reflection practice where those feelings are coming up and you're like I'm feeling guilty, I – whatever. And guilt is such a strong emotion for entrepreneurs. I actually was doing some writing about this this morning around there's this huge trend around having open financials in companies.

And I'm actually against it, but I'm very open-minded and I was like oh, I want to hear what do you people think who do this? And everyone I talked to who runs an open financial system, when they spoke with me in private, they're like I feel so guilty. My – I – the employees feel like I'm making too much money, even if they're really not. So, guilt is a huge thing for entrepreneurs in many different facets. So, having a reflection practice, maybe having a therapist, maybe having a coach to work through that emotion on a really deep level. And I think time is another thing, as you mature as an entrepreneur, things affect you less. When I started out, I was like – I classified myself as like highly sensitive and I took all of this so to heart and I'd be just – it'd be so hard to let someone go or give someone feedback and now I'm like this is just like part of the role. It's where you develop a muscle around it.

Jaime:

I wanna get into finances in a second, but being a female, I feel like as an entrepreneur is a little bit different too, especially on the emotional side. I love that you're saying journaling and stuff like that and to me, especially, I'm the nice one. I don't – I'm not mean. So, firing people was a pain for – like a huge big deal, I've gotten so much better at it, still sucks, but going through the pieces, I feel that even as a woman the emotional side of not hurting people. We're told to like – you're supposed to be nice to absolutely everyone, right?

And when you're in business, it's kind of hardcore sometimes. So,

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how do you manage that? Or how – do you think it was just the time thing that you got better and better or was there an emotional side that you went through in order to get better at it and separate the business from them, but I'm trying to be a nice human being?

Diana: Yeah, for sure. And I mean, it – I think firing people will never be easy.

Jaime: It shouldn't be. No offense, but it really shouldn't be.

Diana: If you're a human being, it's never going to be easy, but it does get easier and you start to be able to make the decision from a more boss place. And so, I mean, for me I had a life coach, named Leanne Raymond, she is phenomenal. I had her for two or three years, on-call plus a weekly call to help me work through this stuff. This was like a serious journey. I was a mess around this stuff. I was such a mess around people and lack of boundaries and with Tiny Devotions, I feel like I even almost had a co-dependent relationship with the company and definitely with a staff member or two. So, it was just such a journey so that now I just don't do those things. I don't have arrangements like that with myself and comp – with companies, or with myself and employees.

It's – there's very strong boundaries and even when I was selling Tiny Devotions my – the last few weeks I sold it at the end of the summer of 2018. My last few weeks it was over, and my team already knew that it was sold, my – I dropped all my boundaries with them and they were like this is so awesome. And I'm like guys this never would have happened though. They got to see me like the real me without those boundaries and they're oh, like this is so nice that we get to have this time. And I'm like I know it is really nice, but this just never would have worked if I just acted like your friend. So, it was really funny, I actually had a great relationship with the team.

So, it was – they were -- they liked it, people like having boundaries and understanding what's right and what's wrong and what's cool. And of course, be fair and be reasonable and be friendly, but having that line is super important. One of my goals for 2019 actually is to have billionaire boundaries.

Jaime: I love that!

Diana: Billionaire boundaries. And I think that might be a book title. I should probably buy this domain before this –

Jaime: Before this goes live, yes.

Diana: And I mean, this is a bit of a segway, but it kinda ties in so I should tell you the story. So, a few years ago I emailed Chip Olsen, who is the founder of lululemon. He's a billionaire, and I had got to spend some time with him, I had climbed a mountain with him once, so I did have a relationship with him. And I asked him, Chip, would you mentor me? Because he is like – which is like please never – no one ever ask anyone that question. That was so amateur of me that I even asked it that way. But that's okay. He wrote back one of the most powerful emails I've ever got. One word, no. No justification, no further explanation, just no. And I was offended for a whole three seconds, and then I was like he just mentored me, he just did. Like I just learned something. So, billionaire boundaries.

Jaime: I so appreciate you saying this, because the thing that I don't think people talk about at all – we don't talk about finances either, don't get me wrong. But we don't talk about the emotional strain of small things like boundaries. Or they seem so small and it affects everything else. Even just having an org chart that's a little bit off skew and you going, oh, I'm just gonna pop in and help them with here and then I'm just gonna go over here and I'm gonna – the entrepreneur is killing themselves because of it and they don't understand what they are doing, right? They're like, I'm being nice. You're making it harder on everyone and you don't even realize it. From the outside it's easy to see, but on the inside, it's hard to.

Can you say what some of the problems that came up back then beforehand, so people can start to identify a little bit with what it fixed? Because that's hugely important, right? If you don't mind, of course.

Diana: Yeah, I'm just laughing because there's so many. Like, I mean, like the first one being like complete burnout. Like complete burnout. Like physically, psychologically, emotionally, like that is no way to run a company. I think also not – you're not fully developing people at that point. So, one of the things I'm most proud about is the roles that people have had once they've left my organization. And I have bred just some incredible leaders and I've had people come up to me who've known – like my operations manager from previous being like wow, that person is like so amazing. Like they run – they run – they're so efficient, they run

this business like a boss.

And I'm like it's incredible and I was like okay, when I met them, they had zero business experience. And one of my proudest achievements is actually developing people and if you don't have boundaries and if you're not empowering them to step in and really own things, they will not develop into world-class leaders.

Jaime: I love that you say that when you are not the direct manager either and you have an ops manager in between. Because everyone's like well, I have to be the person that's telling them all the things. You don't, you can still empower them from above, right? It makes a huge difference.

Diana: For sure, yeah. One of my goals is always to be the least important person in my company.

Jaime: That should be everybody's goal, but unfortunately, and this is the emotional side that I'm talking about, as an entrepreneur we get fulfillment from it. And so, when we do, we're like oh, but I love being the most important person in the company and everybody has to check in with me and all these things have to happen because if I don't then who am I and I'm not important anymore. Like I'm a coach, I deal with all these weird nuances of huh, that's interesting. Right? Because the stories that we have --

Diana: It's levels. It's all -- like I went through all of that. You go through the I want to be really important. I need to hang onto the marketing, I need to hang on to this, and I really -- I think if you've been the game for a few years, hopefully, you have new problems. If you don't, I would have you really reflect on why are my problems the same because there are new level, new devil, new problems, and I hope I have new problems next year.

Jaime: Because you should. Because as you evolve as a human, there's always something. Unfortunately, or fortunately, right? There's always getting better and better and better. But I appreciate you saying that you also did two years of coaching in order to get through some of this, because I think some of us go oh, we just set some boundaries and then we're all set, right? So --

Diana: More than two year. More than two years of coaching, but I think -- two to three years with this one specific life coach. I've done tons of other coaching and development. I mean, you know, I know, investing in coaches, investing in the right program, not over

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investing which is actually a trend I see now is entrepreneurs spending like a quarter million dollars a year on development when they have a seven-figure company. I'm like what are you doing? You're giving so much of your profit away. But having a line item for coaching, development, is so crucial.

Jaime: That's the perfect segway into finances. So, what should be the percentage of development, right? Especially on different sizes of companies.

Diana: Yeah, so I don't have a percentage for anything, which is a huge thing that I struggled with when I was really stepping into mastery around the finance side. So, for background, didn't go to business school, not epic at math, like I can multiply and subtract is really what I can do. I'm not an Excel wizard or anything like that. So, when I started my first business ten years ago, literally I had this one plastic sleeve of all my receipts and that was like my books. But I realized again, I will be a lifelong entrepreneur, the language of business and entrepreneurship is finances. So, if I really want to win and play at a high level, I need to learn this language. So, it's actually kind of similar to your eventual millionaire journey, I went on the eventual finance expert journey.

And it was not a public journey, it was a private journey, but I went on this journey by first going to my accountant and deciding that I'm gonna be best friends with my accountant. I'm gonna meet with him every year and I'm gonna pull knowledge. From there I realized okay my accountant – what my account is giving me is very limited. Accountants are very good at taxes and year-end and most accountants are not operational. They're not gonna tell you how to make more money in your business and how to run it more efficiently which blew my mind when I made that realization. I was like oh, that's just not what they do. They provide you your year-end and make sure you're good with government and then they should also provide you with tax planning documents that you know – so for 2019, how much corporate tax should I be paying every month?

And that's like really all an accountant does. And so, like that was one step. Anyways, I'm going to deep into this. So, bring me back.

Jaime: No, I love it because it's like you're going to find a guru. You're like oh, no, my accountant's not the guru, all right let's go – what's next? So, how did you become a – I mean, I'm assuming by now especially since you're talking about doing work in this space that

you feel like you're a financial expert. So, what are some of those biggest pieces for you that made a huge difference? Because finance can be a jumbled mess for people that they like to avoid and even if they have just their regular profit and loss numbers and that's it because their accountant told them to, it usually stops there, and they don't even want to –

Diana:

For sure. So, yeah, as I alluded to, I started with my accountant and then when I realized that he didn't have the answers I went to my bookkeeper which was really interesting because all she was doing was allocating transactions in an accounting software. So, I was like okay, that's not it. So, I started essentially going to anyone I knew that was financial. Like CFO's asking them questions, asking mentors questions and I remember one day I went to my dad and it all started, you asked me what percentage. My dad is an extremely successful entrepreneur and he hates coaching people, so I only ever get like a 60-second window and I actually don't even get one anymore, but there was a few years where he would give me a 60-second window of asking him a question and he'd give me like a snippet.

So, one day I was like dad, can you tell me like what sort of percentages I should have for these line items? And he goes whatever you want. I was like well, no dad, I don't know. Can you please tell me what's the percentage? He said literally whatever you want. I was like, but I don't get it. So, he didn't give me an answer and he's like you need to architect the finances for how you want to run this business. There is not a – one formula for how each business goes and you see this. I have a friend who runs a marketing firm, she kills it. They do like over 30% profit. For a marketing agency that's really high. I know other people who run marketing agencies and they can't get 5% profit.

So, it's like the way she has set up the company and the best story I've ever heard around this is – and I don't know if this is true or not, but we'll just – let's hope that it is a true story because it's an amazing depiction of this point. An entrepreneur goes to their mentor and asks this question, what percentage of profit should I be making? And he says 18%, and she goes okay cool. So, a year later they meet, and the mentor says to the mentee, so how did you do? And the mentee's like uh, I'm so disappointed I only got 77% profit. And he's like what are you talking about? He goes I said 18% was your target. And she's like I thought you said 80. So, really it comes down to goal setting and what you are trying to achieve.

So, depending on what you're trying to achieve, every single line item on a PL can be architected, it's not forced for you, but there are certain things that you have to consider like what business model are you in and what industry are you in. Because as you know, you've interviewed so many people, different business models have different profitability.

Jaime: Bigtime, and sometimes people get in one and they're like oh, huh, there's this squeakiness of margins. Awesome, maybe I shouldn't have done this, right? But there's such a wide swath in what they need to be doing especially as a company. Especially the difference between e-com and not is huge, right? So, when we start going down those paths. What are some tips that you learned within the journey that really made a pivotal difference in your finances and growth as an entrepreneur?

Diana: Yeah, so one of them is like profit mindset. So, there's a lot of talk right now of having the right mindset as an entrepreneur. And I think a lot of entrepreneurs are really strong at a revenue mindset, like I believe I can do seven figures, I believe I can become a millionaire, I believe I can do multiple seven figures, and so on and so on and so on. But there's not a lot of belief around profitability or awareness and one of my personal like ah-ha moments came at a Tony Robbins event. He has an event called business mastery which was just really pivotal for me at the time. And he had Keith Cunningham on stage with him, who is – do you know him?

Jaime: Yes, he's in Austin. Yep.

Diana: Oh, is he? So, he is the rich dad from Robert Kiyosaki's book, *Rich Dad, Poor Dad*. And he got up on stage and he did some mindset work with us and it was super ridiculous in the moment. He made us get up and be like I love numbers, numbers love me, and like doing that work and getting into that awareness that like oh, wow, I'm in this – like I hear this all the time, I don't like math, I'm not good at math. I don't like the numbers, da, da, da, da, da, da. Getting out of that and stepping into this new identity as what I call a chief financial entrepreneur and being excited about those numbers was like a huge foundational thing for me to go and then do the technical work.

Which I think the second biggest tip is awareness. Most entrepreneurs and even millionaire entrepreneurs, they're not even looking at their numbers.

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Jaime: I found out this way to – like at the beginning I was like millionaires they're on [inaudible] [00:31:15] and you get into some of these businesses now and I'm like huh, hmm, like hmm, okay. Hey, you know, that's what's so impressive about entrepreneurship to me, is that you can be lacking in many, many areas and you can still be very successful and it's all a process of people learning where those problems might be and getting better and better and better at them, right? Like a great marketing person that's really, really badass at sales, that's great, they can make a lot of money. They can also have none left over because they're really bad with profit.

Diana: You see it. It's like the \$2 million in revenues and the \$1.99 million in expenses. This is a real thing.

Jaime: I see it all the time. People come in to get me – to have me interview them on the show and they're like oh, I have a \$2 million business and I'm like oh, that's great, what's your net? What's your net worth? And they're like oh, and then they back away slowly, right? And I'm like sorry, like that's just the way we do it, we do it by net worth here, we don't do it – like oh, okay well, I thought I was – and hopefully, that's a learning lesson for them also, right? Because success is how you measure it, but how did you get better at the awareness side? Because it's one thing to be like I'm gonna get better at my numbers, I'm gonna look at my profit and loss a little bit more. What level did you go deep in as far as the awareness side goes?

Diana: Yeah, for sure. My commitment with myself was that I would look at my numbers on – I think I started on a monthly basis. I was like I am committed; I will spend time in the numbers. And I really think most entrepreneurs, really all they need to do is look at their numbers for 15 minutes a month. We're not talking about a daily analysis session, a period each month where you put on your chief financial entrepreneur hat and you look at the numbers and I think that everyone needs a finance team. So, an accountant and a bookkeeper, and I think most of the bookkeepers can actually do a lot of heavy lifting to create a system and process so that the entrepreneur really just gets an email that has: 1.) That their file is updated, and I know that's so basic.

Most entrepreneurs do not get their data in a timely fashion. So, they get their data six months after the fact and at that point, it's just not helpful. You know, you need real-time data and I don't

mean like to the day, but it's either weekly email or a monthly email from whoever is doing your bookkeeping and it should not be the entrepreneur like 99% of the time. You could find a \$15.00, \$20.00, \$25.00 bookkeeper to do this, allocating transactions in QuickBooks or an accounting software is like not a super sophisticated task. And it's likely not the entrepreneur's zone of genius or highest and best use, so please stop doing that.

Jaime: Right now, thank you.

Diana: Right now, and the really cool thing is when an entrepreneur – I've seen this happen so many times, gets clear data organized in a way that is someone who is dumb or drunk could read, which is how I look at it, they know what to do. They literally know what to do next. Entrepreneurs are super smart, if you show them very clearly organized data that tells the story of the business, they're like oh, wow, we gotta stop offering that program. Oh, wow, we need to double down on that marketing tactic; it's actually doing really well. The thing is if they're not looking at the numbers they can't analyze and make those decisions from a very educated place, they're kind of just making them intuitively.

And sometimes some entrepreneurs are really keenly tapped into that intuition and they'll be able to make some good decisions, but they're not like optimizing it. And so, why work harder and try to get to these even higher levels of revenue to tap into the profitability that's available right there, like let's just make it easier for ourselves now, get the profit and decide, do we want to scale as aggressively or are we actually really happy running a seven-figure company as opposed to an eight-figure company and getting the same amount of profit.

Jaime: I love this because the numbers really do tell you what to do. As a coach, I'll go in and I'll ask a bunch of numbers and they – and that – I know the state – especially if they don't know their numbers, I know the state of where we're at, right? Because a lot of the times they're not even measuring the stuff that really is gonna drive their decision making and that's really tough. So, what numbers do you think are most important or what numbers do you look at? Because what the other tendency to happen is oh, now, I need to know 150 different numbers and now I can't make sense of what's what anyway because I have too many marketing metrics that I could potentially do, right? So what numbers do you guys look at?

Diana: So, my kind of CFO report that I get my bookkeepers to do, I really want like five or six numbers on there. It's really different depending on the company and so I think that's where the heavy lifting is. An entrepreneur has to like really sit down once and go what are the numbers that are the most important to drive the needle? Obviously, revenue and profitability are like two numbers that are on that report more than once. Depending on the industry, if it's a very labor-intensive business then you really want to be tracking payroll/team expenses and this is a – I don't know if Greg Crabtree came up with this number, he's a very entrepreneurial accountant.

He has this number called labor efficiency ratio which is a cool number for people that have a very labor extensive team. And you can start tracking like how productive is my team being? For people that are very heavy into physical product, they have a number called cost of goods, or cost of sales and so this is like the number of like what does the physical product I'm selling actually cost and revenue minus cost of goods, is gross profit. And I would say gross profit is gross because it doesn't actually count, it's gross like, eww.

Jaime: It's gross, eww. It took me a second on that one, but I got it.

Diana: A lot of people get really confused between gross and net, so that's my little trick that I've done to help people. Net profit is the real number, like you can pay your mortgage from net profit. You cannot pay it from gross. And so, some people have huge gross profit numbers, but like that – but then operationally they make zero. So those are some of the high-level numbers. Marketing – so now that I've seen so many people's financials, entrepreneurs, right now, I feel like they're struggling in three areas. One is what we've already referred to which is they're literally overspending on development and I don't mean they're spending 10K a year on development.

Like they're literally spending 200K on development. It's gone a bit out of control. Because there's so many cool events now and it's like so awesome. And if it's a choice then that's totally cool, but I always tell entrepreneurs would you rather take an additional 100K of that as profit or do you really want to go to the three other events? Up to you.

Jaime: And they're like I hate you, right?

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Diana: You know what, most of the time they're like I'd rather have the profit because I don't have profit right now. The second one is marketing. I feel like the marketing costs and spending is just changing so dramatically right now, especially because for a lot of people, Facebook ads is the anchor of their marketing strategy and ROAS is going down and down, for people who might not know, return on ads spend. It's just getting tougher and tougher and tougher. So, a lot of people don't have the marketing dollars dialed in because they're just doing what they did three years ago. And so

Jaime: I know, it's painful to see.

Diana: Yeah and we have to be more creative as entrepreneurs. We can't just rely on what worked previously. And so, one client that I was working with recently he had a set amount that he spent on Facebook ads every month and it was 100K and it was working really, really well and he was like I didn't make money last month. And I'm like okay let's take a look at the numbers and everything in his business was perfect except for the fact that his 100K, which no one was monitoring, didn't produce results.

Jaime: Woo-hoo, right? Yeah.

Diana: And the third one is payroll. Something I've seen across the board, it's so interesting, a lot of people who are not entrepreneurs they think like entrepreneurs are these like very greedy people, Wolf of Wallstreet. But entrepreneurs, I know you know this, you work with so many of them, they are the most kind, generous, as a population I know I'm stereotyping. Of course, there's mean people everywhere and a lot of entrepreneurs will pay their team more than themselves. They'll pay employees more than themselves, they actually often underpay themselves to even market let alone then pull out profit. And then I've seen people pay like just exorbitant high prices for like VA's and things like that.

Like they're paying a virtual assistant like you would pay a manager.

Jaime: Tell me what that – give me some numbers on that? Because I see that all the time, too, and I want someone be like huh, that's not normal because we're in this VA culture where everyone's like it's \$50.00 an hour of a VA. I'm like huh?

Diana: I think \$50.00 an hour is not a VA. That person is a manager. I

mean, I would look to corporate salaries. So, like what would – if I – so I don't think in hourly, I think in salary. So, I'll, take like an hourly rate and multiply it by – I'll just go to Google and be like what is this as a salary? I think the equation is – there's a few different equations, I think it's like 2200 hours that you multiply by. I just let Google tell me because I'm lazy. And I always think in salary, so, okay, this person is making 100K on a 40 hour a week basis, like that's – that's management. You know, and I think it's a lot of insanity in the online marketing space, people online – a lot of these virtual assistants and things like that, they're just charging exorbitant amounts.

Whereas, if you just find someone like local it's a lot more of a reasonable market rate, people who aren't in the industry. So, I have a lot of very successful entrepreneurs friends, I know you know as well and they're like let's stop hiring people from that space, let's just go local and find people who have been in the corporate world, who have much more reasonable expectations.

Jaime: I love that you say this because, entrepreneurs also especially that are paying \$50.00 plus for VA's are scared of having a W-2 employee and because they're scared, they're like oh, but it's less risky. And you're like but all your money is going away and they're not managing, so you now have no time to do anything because you're managing and doing this other stuff. It starts to get crazy.

Diana: Yeah, and I mean, the exception would be maybe if there's someone who has an amazingly exceptional skillset, like what's that really sophisticated – oh, Infusionsoft.

Jaime: Yes.

Diana: Sure, that's not something that you can just like hire someone locally that – you know, that takes years of experience to master that, so sure, yeah, maybe if you're an Infusionsoft person who's highly specialized. I'm talking about like basic scheduling, administrative, that's not a high-end sophisticated thing and you gotta make sure you're paying for the value.

Jaime: How much – especially because we avoid it as entrepreneurs typically, right? We're like finances, we know maybe profit and loss, now I'm gonna actually do it because she told me to do it. All right, it's 2019 I'm supposed to be getting my numbers better, but how much effort do we put into it? Because it is one of those

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things where if we put it on autopilot and you get really good at it, it's not a big deal, but knowing that entrepreneurs right now are dealing with Facebook ads craziness and marketing and this and that. How much effort do we really go into on the numbers at the very beginning of this year?

Diana: It really depends on the situation.

Jaime: It depends. I know and –

Diana: It does.

Jaime: Yeah. I know, I know. I know so much – yeah, go ahead.

Diana: You know, for people who are like really close – I'm just trying to think in reference to people that I work with. Like some people like they're 80% of the way there and they just need to get like their system created for their finance report and then it's just the monthly process of like refining. And every month when you look at the numbers, getting a little bit smarter. And then having your bookkeeper or your finance administrator get like a little bit smarter. So, another thing I tell people is have your finance administrator or bookkeeper – empower them to give you further data around cost savings, around unusual things, and things like that.

As well as they can even be doing comparisons from last year to this year, so you can see like the trend. Like why can't your finance administrator do that for you? Like they see everything. So, one is really leveraging the resources that you currently have. Like other people are running seven-figure companies and they're not even on an accounting software, they're in a spreadsheet. And so yeah, at the beginning it can be a ton of heavy lifting and that's why having someone who is an expert in the space, like myself or someone like that, having them on your team to help you really figure out what to do or hiring a fractional CFO or things like that.

But again, a lot of them might not even see like the full picture. It can be a lot of heavy lifting at the beginning if you have spent 10 years ignoring this and you have a big organization.

Jaime: I really appreciate you saying that.

Diana: Unfortunately.

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Jaime: Yeah because that's why they avoid it because it's gonna be quite a bit of effort and attention going into it, and it'll be the best thing you've ever had. Diana, I'm sure you're like yes, do it now because your company in 10 years from now, will be glad that you did it now.

Diana: Yeah and do it one step at a time. Like how do you eat an elephant, it's always one step at a time. So, if you're on a spreadsheet and you're running a company that's over six-figures, I would say like go get on QuickBooks. Step one, get on an accounting software, maybe that's your January goal. Maybe your February goal is doing a company-wide audit to see where is the money going? There's all those sneaky subscriptions that we pay for for years at a time, there's always money in there. Maybe that's your February goal and then in March, it's like then we're gonna dial in this report. Or maybe, at that point, it's like find a bookkeeper. And so, you don't have to do it all at once. Much like anything in life, it's a journey, it's not like a great I've just mastered that.

If you're an entrepreneur, there's always gonna be numbers, you're gonna need to understand that. The cool thing it opens up is that once you know the numbers you can do things like sell companies, buy companies, things like that.

Jaime: Stuff that sounds so sexy to all the people that can't figure out their numbers. They're like one day I want to be like that. We need to figure out your numbers first people.

Diana: Yeah.

Jaime: But I appreciate – because there's a lot of shame around this whole thing, right? And for you to be able to break it down and go all you have to do is January this, February this, March this. It's not rocket science. Like it's not rocket science, it's just easy to avoid because of the emotional crap that we have potentially from childhood even way back when, right?

Diana: 100% and I think the other thing was really easy for entrepreneurs to avoid this is entrepreneurs are usually really good at front end. So, their zone of genius is sales, it's creative, it is creating new products, and things like that. So, I do think it is often outside of their zone of genius and that's why they don't have to be like experts, but they have to be at the place where they're dangerous, so they can find those people on their team to do that. The other thing that like every entrepreneur need on their team is there needs

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to be some kind of budget or constraint system. And we were talking about *Profit First* before we got on here and I do think that's a great budget and constraint system for some companies, I don't think it works really well for all of them.

But having some kind of budget or constraint system is really important and often it's not the entrepreneur that can enforce the budget. You need a scrappy person on your team that is even maybe managing up and being like – it's usually my husband, Jeff, you can't actually buy that. We don't have a line item for that and that's sinking into profitability. So, it doesn't even have to be the entrepreneur who's doing the placing, but it – has to be sitting in that function.

Jaime: I adore that. They're the captain of the ship and they need to either – they need to read the compass, but they don't have to go hoist the sails and do all this stuff that sucks.

Diana: Totally.

Jaime: I love it. So, I need to ask the last question because I know we're gonna go way over. I so appreciate you saying this stuff especially at the beginning of the year to have people go, this is the year I should probably be doing that. But what is one action out of everything – one action that listeners can take this week to help move them forward towards their goal of a million?

Diana: Love it. So, I'm definitely gonna use the financial lens for this and I would say take the next step in mastering this area of your business. So, I know that's gonna be different for everyone if they're not on an accounting software, get on an accounting software. If they don't have a bookkeeper, get a bookkeeper. If they don't have a great relationship with their accountant, go find a trustworthy accountant. You know, read a great business finance book. Greg Crabtree had *Simple Numbers*. *Profit First* is another one and obviously like I'm biased, like go to dianahouse.com and get my opt-in and you – I have a framework of 10 things up there that are foundational things around their business finances. So, you can figure out where is your current gap and do that next thing.

Jaime: Oh, good. So, the checklist – because I know you have a checklist, the checklist actually will show them where they actually need it most? Where the issues are?

Diana: Well, they'll have to answer that question for themselves. So,

there's a checklist of 10 things and they can really see which of these 10 things am I not at a mastery level of and why don't I do the next one.

Jaime: That's awesome. You know, I'd be like, yeah, this is gonna be painful, go do it. Go to her website right now and that's that getting out of your comfort zone piece that we need to be doing so that way you can make those big leaps that you really, really want to as an entrepreneur.

Diana: I have one other caveat, because this is so interesting, and I just want you to know how impactful you have been on my life in 2019. So, when we were doing the process of applying to be on this podcast, you have to submit a net worth statement. And so, when I did it, I was actually really shocked that a lot of my net worth was coming from commercial real estate investing, which is the third thing on my list. So, after doing that I've actually shifted my goals for 2019 and made commercial real estate investing my number one goal. And the same week I was filling it out I got asked to speak at a commercial real estate event, so it's just really, really cool. And again, that's an awareness thing. You forced me to do this thing, I did an audit, I knew what my net worth was, but I didn't know – I hadn't really sat down and be like where did this come from.

And I was like oh my goodness, that's so interesting. So, that's another great thing that your year to do is do their net worth analysis and really see what is their net worth and where did it come from and what does that mean for what I want to do next?

Jaime: Aww, I love that because that's the other piece is that awareness step, where you're like oh wait, I'm making all my money over here, why am I not doing that?

Diana: Literally, literally. I was like I'm so basic, how did I miss that?

Jaime: Because we got a lot of stuff going on, we're entrepreneurs. We gotta –

Diana: Exactly.

Jaime: I love this. Everybody make sure to check out Dianahouse.com, but where can we find more about you online? Is everything on there? I know you're on social and all sorts of stuff.

Diana: Yeah, I'm pretty quiet online because I did not have a personal brand until September when I sold this company and I was like okay, this is the work I need to do in the world. I need to put myself out there. So, I'm also on Instagram as of recent I'm @dianapowerhouse.

Jaime: Awesome. Thank you so much for coming on the show today. I really, really appreciate it.

Diana: It is so great talking.

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**Duration: 51 minutes**