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- Jaime Masters: Welcome to Eventual Millionaire. I'm Jaime Masters. And today, on the show, we have Ruth King. She's known as the profitability master. She's coming out with her sixth book, and you can check her out at ruthkinghvac.com. Thanks show much for coming on the show today.
- Ruth King: My pleasure. Thanks for having me, Jaime.
- Jaime Masters: Sixth book. I know books are a lot. So, tell me a little bit about what this one's about.
- Ruth King: This one is *A 101 Dumb Financial Mistakes Small Business Owners Make* and how you can avoid that. And it really truly is 101 dumb mistakes.
- Jaime Masters: People are gonna read that and be, "Ouch." Okay. Well, at least the ones that I haven't done yet it will help me with.
- Ruth King: It's like, "I've done that one. And I've done that one. No, I didn't do that one yet, so let's make sure I don't do that one."
- Jaime Masters: Yeah. Well, that's what's so cool. In reading your bio, you have an MBA in Finance, but I love that you have a Bachelor's Degree in Chemical Engineering, so systems, and processes, and tech. are your thing. So, give me a little update on how you work with businesses and how you really make sure that their systems and tech. are up to speed.
- Ruth King: Well, 1.) We start with the financial statements, of course. That's my thing. And my philosophy is you can't make good business decisions if you have unclear, or unclear, or wrong financial statements, whichever way you wanna put it. If your financial statements are garbage, then guess what? Any decision that you make will be garbage because you can't make good financial decisions when your data is wrong. So, we start with the P&L and the balance sheet, and we go from there. Yeah. A lot of my clients, when we start, their financials are in horrible shape. However, –
- Jaime Masters: That's what I was gonna say. Yeah. Most business owners that as the No. 1 thing that they do.
- Ruth King: Oh, it's interesting because none of us, including me, started our businesses to do the financial side of the business. But if we don't take care of it, guess what happens? Something will come and bite you in the butt. You'll have a tax bill that was a big surprise. They
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don't get a check in the door in enough time to make sure you get payroll. I mean, there's just so many financial things that happen if you don't have good financials that you can make really good business decisions on. And the really interesting thing about it is that financials were developed back somewhere between the 1200s and the 1300s by the Venetian Monks who had to take care of the rich Italians' money. And they had no QuickBooks. They didn't have a calculator. Now before, Jaime, you say, "Well, the Chinese had abacuses." Yes, but the Chinese weren't talking to the Italians at that point. So, they had to do something that was really, really easy and really, really simple and that you could do with addition, subtraction, multiplication, and division.

Remember, most of calculus was not invented yet either. So, the format that they created for our P&Ls and our balance sheets are the same as they were 1,000 years ago. So, it's like, okay, there's really no excuse. It's just that I think CPAs try to make it sound like it's harder than it actually is. I guess that was book No. 4. The fourth book, *The Courage to be Profitable*, explains profit and loss statements and balance sheets in English rather than accounting babble. And if you read that book, it will truly tell you what's in the P&L, what's in a balance sheet, and how to look at your numbers and what they mean, and all that sort of fun stuff. It is very basic. It is not written in any technical jargon or any Ph.D. level reading or anything like that. It's really meant for a business owner who really wants to know what a P&L and a balance sheet mean.

So, that's where we start.

Jaime Masters: Yeah. Interpretation of the data. So, it's, yay, we have tech. Right. Yay, we have QuickBooks and calculators because I can't even imagine what life would be without it. So, yeah, we should be grateful at this point. But, like you said, it's not even about sort of going through the numbers. It's about knowing what they mean. Right? And because of that resistance to not knowing, right, because it seems so complicated and we're not smart to do it, we kind of resist it. So, you're trying to get past that on your fourth book and have people understand the basics because it really makes sense when you get down to the –

Ruth King: Yeah. I work with a lot of heating and air contractors, plumbing, electrical, and I explain to them they've all read a wiring diagram which shows you how to wire up motors, and parts, and equipment, and all that sort of fun stuff. And I ask all of them, and

I say, “What did you do the first time you looked at a wiring diagram?” And they all look at me like I’m, “Did you understand it?” “No.” “Well, what did you do?” “Well, I worked at it.” “Why?” “Because I had to know it to do my job.” “Well, this is the same thing with financials.” The first time you look at it, it probably looks like it’s Greek, or Russian, or some other language that you don’t understand the characters for Chinese, or Japanese, or whatever.

But when you spend 10 or 15 minutes a week just getting into it, all of a sudden, it starts making more and more sense. Three, four, or five months later, you are going, “Why did I ever think this was hard?” It just takes a little bit of practice, which I’m sure everybody has done when they’re learning a new skill for their businesses, or they’re going to play golf, which is a never-ending practice, or tennis, or some sport, or some hobby. There’s some things that you’ve got to practice to get good at it. This is the same thing. You got to practice financials to get good at them.

Jaime Masters:

I think what is so hard, though, is that fear gets in the way, like scared of what the numbers will say. Maybe, you’re not doing as well as you thought you were. You know what I mean? Because they’re so concrete. They don’t lie, which is also, “Oh, crap. They don’t lie.” So, how do you get people through the emotional part of it?

Ruth King:

Well, that’s the really fun part of it because usually there’s an, “Oh.” And I will not use the explicative. We do things in terms. Instead of percentages on the bottom line, we do things in terms of net profit per unit. So, you have to look at what your unit of generation is. So, for example, if you’re in, let’s say, a gym. Your unit of generation is a member. The more members walk through the door, the more revenue you have. If you are a restaurant, your unit of revenue is a meal. The more meals you serve, hopefully, the more revenue you generate. But if you’re not pricing your meals properly, you still can lose money. So, it’s your unit of revenue generation.

It might be a billable hour for those companies who are service. They’re doing marketing service, or they’re providing services for businesses and homeowners, and things like that where they actually have people who go into the homes and bill by the hour. So, their revenue generation is a billable hour. And once you get there and you look at the bottom line based on our billable, whatever it is, or your revenue unit, whatever it is, and if your

revenue unit says you're making, for example, \$2.00 per hour, forget it. Why are you in business?

Jaime Masters: Yeah. That's why people are scared. They're, "Don't tell me actual numbers. What if I'm working a lot for getting nothing back?"

Ruth King: Well, then, one day, they will wake up.

Jaime Masters: Yeah. Exactly. Exactly. Do you want a hit in the head now or a bigger hit in the head later?

Ruth King: Exactly. I mean, if you're doing this just for love and not love and profit, and a reason for doing it, no, making money can't be your sole reason. You have to love what you do. But if you love what you do at the expense of looking at a financial, you have a hobby. You don't have a business.

Jaime Masters: Yeah. So, what happens? So, it's one thing to go – okay – we now know what the numbers look like and what we're shooting for. Right? And now, we need to get more things in the door, more customers in the door because I have a lot of people, clients, people that listen to the show that really focus on marketing and sales. Right? As long we figure out the marketing and sales, then, "We're okay." You know that's not true, especially considering all the testimonials that I've seen on your website. So, how do you start getting people to pay attention to that profitability number and really change it? So, that way, they are making money for all the work that they're doing?

Ruth King: No. I is waking up. It really truly is. Once they realize how usually little they're actually learning, it's like, okay, "What do I have to do to earn more?" And, sometimes, it's productivity issues. It's not always pricing issues. So, for example, if you are paying your employees for 40 hours a week and they're only generating billable work or however you wanna call it, or making meals, or whatever it is for 20 hours a week, you're paying them double. Right? You got 20 productive hours. And 20 hours, you're paying them out of the goodness of your heart. Now, yeah, they fudge on their timesheets and their timecards and everything like that. But that's crazy because you'll never be profitable.

Your employees have to be productive. If they're not productive, then they're not – the likelihood is your company's not gonna be very profitable. And if somebody – let me answer your question about the sales and marketing piece of it. All you have to do is

market. Terrific. Let's market, and let's look at it by the numbers. And I promise you marketing companies hate me because I make every one of my clients do this one very simple math exercise. As long as you have a calculator, you can do it. Let's assume that they want to charge you \$10,000.00 for marketing program "X" or advertising program "X," and you're looking at it going, "Well, I don't know if this is a good idea or not." So, the very basic thing you have to do is let's assume your gross margin, which is gross profit divided by revenue, is 40%. The very basic thing you have to do is take \$10,000.00 and divide it by 40%, and I think that's \$25,000.00 if I remember correctly.

And so, if your marketing program doesn't generate \$25,000.00 in revenue for you, you've wasted your money. Right? And so, marketing firms and advertising firms love to give you all these lovely proposals where you pay us \$25,000.00 a month, or \$30,000.00 a month, or \$10,000.00 a month, or whatever. And they take no responsibility for leads or getting results. So, the question that has to come back is look at your financial statements in whatever form that they're in. And see where your gross margins are. And if they wanna charge you \$50,000.00 and your gross margin is 25%, you have to generate \$200,000.00, if my math is right in my head, to cover their \$50,000.00 fee that they want. Now, what are you gonna do to help me generate \$50,000.00?

Jaime Masters: Totally. So, when it comes to giving them enough time because that's the hard thing with any marketing company in general because they're, "Well, just give us time." And you're, "Okay." So, even if they say that they can do that, right, and we go, "Okay. That's what we're shooting for. Those are all of our goals," how much time do you give them before you realize, "Oh, we're just losing money now."

Ruth King: Well, I look at it as it depends upon who they're marketing for. Right? So, for example, if they're doing marketing for your current customers or customers who have used you, let's say, in the past year or two years but don't happen to be using you now, and it's we want you back type marketing. They should be generating those results every single month. If it's a marketing program where you're not known in that particular market or some people have never heard from you, sometimes, it takes four, five, six months to make it worth it. But by the end of one year, whatever you spent, divide it by your gross margin. And a year is more than enough time. If they haven't generated the revenues that you need to

justify their expense, you don't do it anymore. Now, this also requires that you track, which is another thing owners hate doing. So, when that lead comes in the door, and it's a brand-new customer. Somebody who's never called you before.

How did you happen to call us today, or email us today, or however the lead came in? And they will tell you. And somebody has to keep track of that. Now, there are some software packages now that, if people call or something like that, you have a phone number that is attached to a specific marketing program. And you can just print out the results off of the computer and off the software packages. So, you can track that way. So, you don't have to do it like putting a hashtag on a piece of paper anymore, which we did in the old days.

Jaime Masters: Seriously. I mean, come on, guys. It's way easier now. Sometimes, it can feel more complex because there's so many things that we can't up. We have access to these things, so it does make it kind of hard. So, when you're working with a lot of the sort of the blue-collar side of things, I'm just curious on the marketing side, right, because it's always an interesting thing to figure out which way to market is best, especially for non-online businesses. Do you have top two or three that seem to be working well?

Ruth King: Referrals. And it doesn't matter whether they're contracting business or whatever else it is. The best marketing you can do is referral marketing. You have happy customers. They've bought your products. They've bought your services. And it's not do you know anybody who can use our company. It's who have you talked to about product "X"? Or who have you talked to about our services in the past month or so? And people start thinking about the conversations that they have. And I'll bet one out of three will have talked to somebody about your great new product or great new service.

"Terrific. Do you mind if we contact them to see whether they would be as happy as you are?" "No." And you have a referral. It's a warm lead because, "Susie, or John, or whoever suggested we contact you. She really liked our products and thought you might like them, too. Love to talk to you about it." Boom. I mean, that –

Jaime Masters: Now, is that email? Or how do you contact them?

Ruth King: Any way. It might be texting. It's how they give you the contact information. If they're my daughter's age, you text everything.

You don't email them. You don't call them. You don't do anything. You text. Per mom, per se, it's either a phone call or email.

Jaime Masters: Generational changes.

Ruth King: Yeah.

Jaime Masters: Well, and that matters. Right?

Ruth King: Yeah.

Jaime Masters: On who your avatar is or your customer. That way, you know what to do for them because otherwise, if you text too young of a person or you email too young of a person, they're never gonna see that email.

Ruth King: And they won't answer their phones either. I mean, if I wanna talk to my daughter, I have to text her, "Can we talk?"

Jaime Masters: Yeah. I can't say I don't do that sometimes, so I get it. But knowing that instead of going, "Oh, our marketing tactic isn't working. It's referral-based, and we heard it on Jaime's show, and we sent the thing," and it was email and not texting." There's so many nuances to knowing your people and doing it in the right way that makes it easier for them and not as much resistance.

Ruth King: Yeah.

Jaime Masters: That's huge in order to get the data out there.

Ruth King: Yeah. It is. Remember that marketing is, for all intents and purposes, the median, the message, and frequency, or whatever you wanna call it. Okay. It's who are you talking to? What's the message? And how are you talking to them? All right. Depending upon whether it's a customer, or a customer who used you in the past, or somebody doesn't know you from a hole in the wall, that marketing will be different, and the messaging will be different. And probably, the median will be different. So, you kind of – it's not an exact – it's not like chemical engineering.

Okay. Where two times two is four. It's less than an exact science.

Jaime Masters: Yes. Art forms come into play, which is hard if an owner doesn't know marketing really well. And they're at sort of the lens of what

the marketing company says they can do. And you don't have autonomy over some of that stuff. When it comes to automation on that, are there any software programs that do that? Or do you suggest just sending out personal emails to customers or whatever the methodology is?

Ruth King: When I do referrals, I always pick up the phone. I don't care how old, young they are because it's a thank you for using our products. It's a thank you for using our services. And I often follow that up with an email, however, or a text. Tried to reach you today. John suggested we give you a call. They were really thrilled with our products and thought you might be interested, too. But I'll always try, at least with referrals, to make a phone call, just because it's a thank you more so than anything else. And that's just what I do, and I find works for me. You might be in a situation where something like that doesn't work for you depending upon the price of your products, and frequency, and those types of things. But almost everybody can refer.

It's just that somebody's happy, but nobody's asked.

Jaime Masters: Yeah. Do the people actually respond to that because that's the other thing? Right? There are so many automated. I prefer not to be text messaged on things that I've used. And if I know it's automated, I ignore it, typically, anyway. So, how can you sort of get past that noise on the referral side and get people to actually respond to you? Do you follow up?

Ruth King: No. If you're gonna, do it by email, or you're gonna do it by text, or you're gonna do it by phone, and you have to leave a voicemail. Okay. Hi, John. Hi, Susie. Your neighbor, your mother, your sister, your brother, your fellow worker, and their name suggested I contact you. And if it's the email, the subject line is your neighbor, your brother, your sister, your mother, your church member, or whatever, suggested that we talk. You'll get your email opened. It's not automated.

Jaime Masters: Now that makes sense. But how do you get the person that's the customer of yours to actually give you a name?

Ruth King: Oh, you talk to them first. A lot of times, they'll be using your product or service. And nobody's even reached out to them to say thank you. How many times have you been using something for years, and nobody said thank you?

Jaime Masters: Yeah. They're always looking for new customers and new sales marketing. They kind of forget about all the ones that they've already had. Yeah, definitely.

Ruth King: I'll give you an example, my running shoe company, who I absolutely love. I started – how many years ago now? Let's see. I'm on 19 or 20 of Brooks, whatever year it is. But they were really good in the beginning, and they continue to follow up and keep in touch and everything else like that. And they've grown really well, What they do in the stores and how well they know what they're doing. I mean, I don't go on Amazon and buy running shoes. I like going into that store. And it's crazy, but there is a relationship that I built up with them over a period of time. They recognize me when I walk in. That type of thing.

So, this is – if you have gotten this rapport with your customers, then it's easier to say, "Hey, who have you talked to about running in the past couple of weeks?"

Jaime Masters: Definitely rapport matters instead of being so cold that, "Hey, tell me about all the people you know." And they're, "I don't even know you." Yeah. Yeah. That makes perfect sense. So, going back to the productivity piece, like you were saying, especially with technicians, especially when it comes to billable hours. Do you do something like a KPI for a number of billable hours? How do you determine what the right KPI is and how to get your workers to actually be more –

Ruth King: All right. So, there is a KPI called a billable hour percentage. And the billable hour percentage is the total number of billable hours divided by your total payroll hours. And it needs to be north of 60%, preferably north of 80%. If not, you got to figure out what's going on. And that percentage can be done from any type of business. Never mind the construction side of it, but let's take a restaurant or let's take a membership side. All right? Are members generally – for every member who walks in the door, we generally generate X number of dollars. What would it take to generate Y number of dollars? What other benefits can we add? What other add-ons can we add?

And what can we do to make sure that people are attentive in taking care of these customers? So, it doesn't have to be billable hours. You can do a percentage of whatever depending upon what your unit of revenue is. Once you start understanding the unit of revenue of how we make money rather than we sold something,

this is how we actually generate revenue. It's not necessarily just the sale of the product. It is the billable hour. It is the cost of a meal. It is the add-ons that go on with it. So, you have to look at revenue generation, not like I sold a box. You're talking about a little bit more than selling a box.

Jaime Masters: Well, lead indicators.

Ruth King: Yeah.

Jaime Masters: You're coming up with things that are lead instead of lag indicators because most business owners will go, "Okay. At the end of the month, what was our next profit?" And look at it then. But then, it's kind of late for the month anyway. Right? You go, "Oh, crap. They're going down. What do I do?" And you're sort of already –

Ruth King: Yeah. You do it every week. Whatever your unit of revenue is, you need to know how many of them you had for that week against what was the budget for that week. So, at the beginning of the year or whatever fiscal year is, you create a budget for a year. It may be seasonal. It may not be seasonal. If it's seasonable, you're gonna have bigger months, and you're gonna have less months in terms of revenue. And you actually spread it out weekly over a year, so you know how many units, how many meals you have to serve in January. The week of January 3rd, and the week of January 10th, and the week of January 17th, and the week of March 6th, and whatever else. And you track it every single week. Numbers are important.

Jaime Masters: Let's talk about budgeting. The four-letter word that everyone – let's talk about budgeting because a lot of smaller business owners – I know you worked with some smaller, less than a million in revenue types. Budgets seem like they're not big enough. Or they have all these things about why they can't have a budget at certain times. When should people start having a budget? I already know what you're gonna say, but I want them to hear it. And how can they get their first few under their belt so that way, it doesn't feel so foreign if they actually use it?

Ruth King: Yeah. Well. You start a budget when you start your business.

Jaime Masters: Yeah. I knew it was gonna be. When do you plant a tree?

Ruth King: Think about it this way. If you open your doors and say, “Come here, world. I’m here.” Nobody’s coming. Okay. You haven’t done the planning. Okay. And this goes back to our marketing conversation. And it’s gonna be tough in the beginning as you’re starting a business unless you have tons of clients that are coming over or tons of customers who are coming over from where they knew you from another type of business. But you’re generally starting over. So, your budget might be two revenue-producing units the first week.

It might be three-revenue producing units the second. And you start with a budget. And then, you look at budget versus every week, or every month, depending upon how you wanna do it, and you go, “Hey. We beat budget.” Terrific. Why? Or, “We didn’t make budget.” “Why not?” Because it’s just as important to know why you beat the budget as why you didn’t make the budget. For obvious reasons, if you’re beating budget, can you do more of it so that you’re doing better? And if you haven’t made budget, what happened?

All right. It might be that your best employee broke their foot, and they were out for a month. Who knows? Budgeting it’s not hard. It’s basically a P&L. And the reality is if you’re not gonna look at your P&L every month, you’re not gonna do a budget.

Jaime Masters: True. Right. Okay. P&L first, everybody. Just so you know, if you’re not doing that. Yeah. Let’s do that first. And then –

Ruth King: I’ll work on the budget after that. Yeah.

Jaime Masters: Yeah. I think that’s the hard thing, too, when it comes to the budget. Either they try it themselves, or they don’t totally know how to do it. And so, it’s almost, “I don’t even understand what it is saying.” And then, every month passes, right, and they don’t have enough time potentially to learn how to do the budget. And so, they kind of throw it away at that point. “I don’t have the time and space for it.” How can you get people committed just to doing it?

Ruth King: Well, you don’t start a budget until they understand their P&L and balance sheet because a budget is just a waste of time because a budget is basically a P&L every week.

Jaime Masters: Definitely. And I love how you said seasonal because that’s the other piece that sort of gets in the way of, I know some of my

clients where they're, "Well, it's the same. So, now, it feels more complicated." Right? Sometimes, it's this. And, sometimes, it's that. But like you said, you're just doing it based on previous years and figuring out what sort of the seasonable capacity is that you moving through and create a different weekly KPI for –

Ruth King: Yeah. Not only that, I mean, think about the monkey wrench that COVID threw in all of our budgets. I mean, even those who are my seasonal clients. I mean, who predicted COVID? Nobody. And that killed a lot of budgets. And guess what? There was not a thing you could do. One of my clients is in Pennsylvania. And they're a \$2 million company. The month of April, whatever year it was, they generated \$400.00 and some odd bucks in the whole month of April.

You talk about, "Oh, crap." Yeah. That's an "Oh, crap." Okay. What are we gonna do? I mean, there was nothing you could do about it because it was something that was a gotcha-type thing that we had no control over. And when those things happen, you just want to have enough cash in the back. And that's another discussion for another time. I'm sure. But a budget is just basically a P&L every month or every week. You can do one every day if you want.

I don't know why, but you could. I don't.

Jaime Masters: There are budget killers that aren't as crazy as COVID, but something that you're, "Oh, my gosh. Budget killer." How do you sort of recalibrate?

Ruth King: All right. I'll give you a real horror story. One of my heating and air clients – plumbing client, not a heating and air client, as a matter of fact. The service manager walked out with their two best plumbers literally. And so, you start your budget over again.

Jaime Masters: That's a fun day.

Ruth King: Well, that was not a fun day.

Jaime Masters: Yeah. Ouch. Okay. So, wipe the slate clean. Got to do what you got to do. That's what business owners have to deal with sometimes. Not to depend on the universe for anybody that's listening, but – yeah. But then, of course, they deal with it. And I'm guessing they kept going and didn't throw their hands up and say, "Screw it. I'm done."

Ruth King: That happened in March or April of last year. And by December, they were even in better shape than they were in March or April.

Jaime Masters: All right. Thank you for saying that. Right? I know a lot of people, especially sort of in the local business industry, “What if I lose my best people?” Right? Then what? It’s, “Maybe, maybe you could find even better people.”

Ruth King: Your best people can get hit by a truck tomorrow. You can get hit by a truck tomorrow. We have no control over when we go. So, it might not be that they go work for somebody else. It might be that they are not even on this planet anymore. You have no control. Do what you can the best that you can. And if that happens, pick yourself up, dust yourself off, keep going, and you’ll figure it out.

Jaime Masters: Yeah, because we always do because we are problem solvers. That’s what business owners are all day, every day. Yeah. So, when it comes to the systems and processes. So, I get the financial side of the systems and processes. It sort of all intertwines. But do you ever go in and go, “Oh, this could be automated. Or we need SOPs for this.” How do we do sort of the backend stuff that’s important but not necessarily “urgent”?

Ruth King: As they grow, it becomes urgent. It can be an absolute zoo if there’s not SOPs and there’s not procedures written. The very first one I would start with is a job description. Never mind the SOP until everybody knows what their job is. Who do they report to? What is their job description overview? What are the KPIs they are responsible for meeting? And I’m bringing the KPI thing back in there. Once they have signed off on their job descriptions and, “Here’s what you’re doing. Here’s what you’re responsible for. Here’s the KPI that we expect of the work that you’re doing,” you can have weekly, monthly, quarterly conversations with them on how well they’re doing on their KPIs. And so, if they’re not doing their job, a disciplinary conversation is not a surprise.

If they’re doing a really, really good job, they’re gonna expect a bonus or whatever. So, that’s where I would start. I’d start with job descriptions for everybody. Everybody signs off on their job descriptions. And then, the SOPs and the policies and procedures actually come out of the job descriptions.

Jaime Masters: Okay. Tell me more.

Ruth King: All right. So, let's assume that we have a job description. And most of you, hopefully, most of your listeners, as they grow, will hire their bookkeeper. It would probably be one of their first hires. Okay. So, the job of the bookkeeper is reports to owner. The bookkeeper's overall responsibility is to create and produce accurate financial statements, take care of accounts receivable, accounts payable, billing, whatever else it is. That's their job description. KPIs, make sure that all the bills are billed by every Friday afternoon. I mean, I'm making things as I go depending upon what it is. Make sure that all receivables are in the accounting system by every Friday.

Make sure that all payables are in the accounting system by every Friday. Making sure that all pricing is done. Making sure that all expenses are in every single week would be a KPI as far as I was concerned. And then, what they wanna do. Let's say it's monthly stuff. Okay. They reconcile the checkbook. They reconcile all the vendor accounts. They reconcile all the credit card accounts. And they give the owner the proof. The printouts that show that they were reconciled.

And they produce a draft of a P&L and a balance sheet, which the owner then reviews and makes sure that everything looks right. You can tell whether a financial statement is not exactly right just by looking at it every month because you have a sense of what the business is doing. So, that would be like a job description for the bookkeeper. And then, depending upon what software you are using, whether you're using QuickBooks, or Sage, or any of the number of the softwares out there, the actual way that receivables get entered into the system is gonna be different for Sage than QuickBooks. It's gonna be different whether your departmentalized or not departmentalized. So, the operating procedures come out of that line that says to enter all accounts receivable into the accounting system by Friday of every week. And then, the procedure for that line gets written as a result of it. And so, the SOPs come as a result of the job description.

Jaime Masters: The roles and the responsibilities. And so, that way, it's sort of mapped out. Yeah. And then, there's no gray area. I think that the thing that's so hard is that when owners have employees, and they're, "I don't know if they're good or not." And you're, "Well, are they doing what they're paid for?" It's, "Well, we don't really totally know." Or, "We gave them extra stuff." Or, "We changed their role." And they didn't reassess any of this stuff or put any

numbers to any of it. So, yeah, of course, it's a random gray area if they're doing a good job.

Ruth King:

Well, and they don't like it because everything comes down to numbers. And you're probably saying, "Yeah. You're a numbers person." But the reality is that whether they're doing a good job is dependent upon what their KPIs are and whether they're meeting them. It depends upon what their job description and whether they're following the procedures for that particular job. It all comes down to numbers. So, I have owners who tell me all the time, "I hate performance reviews." I'm, "Why?" "Well, all I wanna know is how much the raise is gonna be." Well, I never give raises during performance reviews. I'll do them later on their anniversary type thing because then they expect a raise on their performance review.

Performance reviews should never ever, ever, ever be a surprise, ever. It's like firing should never be a surprise. You got to talk to them. You talked to them about the bad stuff. They're meeting their numbers, or they're not. They're meeting their job description, or they're not.

Jaime Masters:

Yeah. I know it's communication. And some of it takes a bit to get in place for sure. So, I'm not disregarding that piece. But firing people is so much easier when you have this system set up because they're kind of doing it to themselves. You're, "Oh, how can I help you hit these KPIs? How can I help you – ?" And it's very kind instead of being, "We think you suck. Now, you're fired." And it's a brand-new thing that they never really heard of because they thought they were doing a good job. Right?

It allows ease for so many other more emotional pieces because of having the numbers. So, it's for the ease of you. It's not just to have them for numbers.

Ruth King:

All right. Here's my rule about firing, 1.) It should never be a surprise because you've had your three strikes, and you're out. Or there's immediately firable offenses, 2.) You never, ever do it when you're emotional. If it's the right thing to fire them when you're mad as you know what, sleep on it. It will still be the right thing to do in the morning when you're calm. I had a manager had an employee do one of those immediately firable offenses. And he was so angry at him. Brought him in and fired him. And they were waiting for his wife to show up to come get him. And he says, "Besides, you're too old to be working here." True story.

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- Jaime Masters: Oh, gosh.
- Ruth King: North of six-figure settlement for firing when you are upset. All right.
- Jaime Masters: Precautionary tales. Precautionary tales, everyone. Yeah. Yeah, because it's hard to control what you're saying when you're –
- Ruth King: Yeah. Very.
- Jaime Masters: We all know that. Right. Everybody gets triggered in ways. Right? And preempting is huge. So, I completely agree with you. Anybody that's thinking about firing someone, just make sure that you've got that on the list. I know we have to –
- Ruth King: One other thing. Never fire alone. Have somebody else in the room. I have had situations where somebody got fired and went ballistic. In one case, put the manager in the hospital. So, always have somebody else in the room because that helps get rid of some of the emotion. Okay. That was my second piece of firing. Sorry.
- Jaime Masters: No. No. Super, super important. Definitely important. And even if they are remote, do you feel like it's important to have somebody else on the phone just in case, or –
- Ruth King: Yes. Yes. Yeah.
- Jaime Masters: Yeah. I've been hung on. Okay. I guess we're done. All right. That's enough. Yeah. I mean, firing, in general, is an emotional thing for both sides.
- Ruth King: It's emotional. Yeah. It's very emotional.
- Jaime Masters: Yeah. And, well, that's the thing. I know employees – it sucks to be fired. It sucks to any of that stuff. But it's really hard as a business owner, especially if you like the person. There's just a lot of emotion that goes to all of it. So, I just appreciate that finances can really give you that – so, please, everybody, listen. Listen to Ruth. Do the finances. There are reasons that will make you feel better later on because that's the reason why we do stuff. Right?
- It's not just to come up with numbers. It's so you can run a better, more profitable business where you actually get return on your investment of all the things, and it's easier. I'm gushing. But I
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completely agree with you. All right. So, I know we have to start wrapping up. So, I have to ask the last question. What is one action listeners can take this week to help them move forward to their goal of a million?

Ruth King: Look at your financial statements.

Jaime Masters: We knew it was coming. We knew it was coming. So, if they don't have a bookkeeper yet, what should they do? How can they find the best bookkeeper if they don't even know what to do? Should they get one? Should they try and do it themselves so that they can start –

Ruth King: All right. It depends upon what software they have, actually.

Jaime Masters: Okay.

Ruth King: If they have QuickBooks, Intuit has you go on their website; they have certified QuickBooks experts. You put in your zip code. Unless you're in the middle of nowhere, there's a lot of people who come up. Get somebody who you're comfortable with, get references, and things like that. The financial statement's really important. But also, No. 2 would be to look at your bank statements online every single day. That is just backup to make sure that you understand what's coming in and what's going out.

Jaime Masters: And you said every single day.

Ruth King: Yeah. It takes five minutes. How long does it take you to log on and look at the bank statement?

Jaime Masters: No, not very long. I have some over-checker clients that are, "I have to know everything 12 times a day." Maybe not 12 times a day, but maybe once. Okay.

Ruth King: I'd say every morning when you come into the door, the first you do. It's like brushing your teeth. You get up, and you brush your teeth after you have your breakfast, whatever it is. You do that every day. It's just like brushing your teeth. Every day that you walk in the door, you check your bank statements online. If you see something stupid, if you see a deposit that's \$0.02 or \$0.52 or something like that, and you know you're not setting up another account, call your back immediately. There's been too much of that type of thing going on right now. And there just trying to find live accounts. I don't know any other way to describe it. And so,

the next day, they'll try and withdraw "X" number of dollars, \$10,000.00, \$25,000.00 from your account because they know the account is real.

So, just be careful. Look at it for anything that's weird. Look at money coming in, money going out, and make sure that you know what it all is.

Jaime Masters: And when does your book come out?

Ruth King: September 5th. You can actually order it online on Amazon. I actually have a few preproduction copies. So, if you go to my website, ruthking.info, you can contact me through there, and I can get you a book if you want it early.

Jaime Masters: Awesome. Yes, because this interview goes out way before that, so ruthking.info. I'll make sure we add that to the list, so everybody can take a look. Thank you so much for coming on the show today, Ruth. I really appreciate it.

Ruth King: Jaime, my pleasure. I hope that I helped your audience become more profitable.

Jaime Masters: Me, too. Go do it, people. Thanks for listening.

[End of Audio]

Duration: 41 minutes