

The Relevance of Leverage and Scale

by Andrew Pearson



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The importance of an hourly rate

If you are asking yourself how can I possibly achieve my PRODUCTIVITY (or hourly rate) everyday let alone increase it you'll find that you won't find the answer in a text book or on a home study course. You'll find that there are two answers to your question.

The first is that you need to build scale into your business, so that you, the business owner or manager, can obtain the maximum amount of leverage possible.

That's why knowing your hourly rate is so important. It exposes you, possibly for the first time, to the reason why you aren't building the kind of business you've always tried to design and build. And the answer is your business is not currently set up to help you achieve and then surpass your hourly rate!

Where do you spend your time?

The second reason for knowing your hourly rate is that it serves as the benchmark for which activities you should personally be spending your time on and which activities you should be outsourcing or delegating. The trick is to consistently concentrate on those activities that can raise your hourly rate. And to begin to delegate and outsource what needs to be done that costs you less than the hourly rate you need to generate.

The question that you have to continually ask is; what can I do to build the business? When you realise that your current business design and structure won't support what it is you want to achieve, and when you realise that you have a real

chance to make some changes, you will restructure your time and find the path to success. But most of us don't see this and continue to delude ourselves into thinking that if we worked a little harder or introduced a new product we'll achieve our goals – if we have any.

So, let's pause for a moment and summarise a little before going on. You have just set your eyes on two crucial concepts that can help you raise your hourly rate – scale and outsourcing. Now let's take a look at the first of these; scale.

Using the Concepts of Scale And Leverage Will Make Your Business More Successful

A large part of my coaching programme is spent on building up the scale and leverage of my clients business. It's not possible to go into great detail here, but I can certainly get you started.

The first point to note is that most people never get close to making their hourly rate because they mistakenly believe that what's preventing them from achieving higher revenue targets is absent knowledge.

The relevance of know-how

And while there might be an element of truth to the missing knowledge theory, it's really only relevant if you have very limited marketing and business development know-how. If you don't fall into that category then knowledge is not your primary problem.

Let me illustrate my point about building leverage into your business, with a story.

Quite often I am asked to lecture in marketing and business strategy at Oxford Business School.

Now, since there is always some overlap in the two courses I run, I thought that the best way of preparing for both was to draw the related themes from the two courses together.

This meant that I was then able to spend more time preparing one subject (but less than I would have spent on two) but still end up with delighted cohorts happy with their exam grades having spent less work than would have originally been required if preparing and presenting one subject.

CREATE SCALE IN YOUR BUSINESS

If you are unsure about **how to generate profits over your hourly rate** usually you have a leverage (scale) - not a knowledge problem!

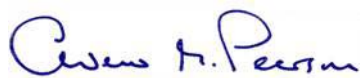
You increase leverage by:

1. Increasing one or more of the **variables** of any profit producing formula
2. Developing and implementing a business plan that creates leverage through a **tight focus** and the proper strategy
3. Separating out activities that generate **more income than it costs** to get done

Can you see what I'm driving at? The goal in the business school; high grades, the goal in business; high profits. Thus anything that makes your current business activities more profitable without more work is increasing your leverage.

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Best wishes,



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