

Runs On One — sample: Chapters 1 and 2

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1. The part nobody taught you

You know how to do the work. That is not in question, and this book will not spend a page on it. What it will spend every page on is the other thing — the layer that sits between the work you are good at and the money that is supposed to arrive because of it. Nobody taught you that layer. It is not taught in trade school, in a design program, in a teacher's college or in the nine years you spent being good at your job for somebody else. It is learned, usually, by being wrong about it for two or three years, and this book exists so that you can skip most of those.

A company that runs on one

The layer between the craft and the invoice

Every business run by one person has two layers. The first is the craft: the bookkeeping, the binding, the teaching, the wiring, the writing. You spent years on it. You can do it at a level that people would pay for, which is why you are here.

The second layer is the one that decides whether they do pay, how much, how often, and whether there is money in the account in February. It has parts. There is a number under your price that you either know or do not. There is one kind of client you are actually for, and a sentence that client says to themselves before they go looking. There is a fence around what you sell and a floor under what you charge. There is a count of people you need to talk to each week for the work to keep coming, and there is a document you send when one of them says yes. There is a list you own, a page a search engine can quote, and evidence that the last job worked.

That is the whole layer. It is ten things. Each one is a document, and each one can be filled in over an evening. Most people running a business alone have none of them written down and all of them running in their head, which is why the head is tired and the account is thin. The layer is not complicated. It is unwritten, and an unwritten system is one you re-invent every Monday.

This book writes it down. When you finish, you will have ten filled-in pages that read each other: the price on one becomes the target on the next; the buyer on page three becomes the first line of the proposal on page seven. Together they are your business, on paper, in an order that works. That is what “runs on one” means. Not that you are alone. That the whole company — every function a firm of forty would have a department for — runs on one pair of hands, and that this is entirely possible once the hands have something to hold.

Who this book is for, and who it is not

This book is for someone who is already self-employed — a consultant, a designer, a writer, a coach, a bookkeeper, a tradesperson with a van — who has clients and invoices and a business that runs on improvisation. Usually in the first three years. Usually, if we are honest, in the last week of a month.

The improvisation is the thing. You quoted the last job by feel. You found the last client by luck or by referral and you are not sure which. You have a tax set-aside account or you have a plan to open one. You know roughly what you made last year and precisely what you owed. None of that makes you bad at business. It makes you a person who was handed a craft and not handed the layer, and who has been doing the second job without a manual.

Four kinds of reader should put this book down, and it is fairer to say so now.

If you are looking for an idea for a business, this is not it. Every instrument here assumes a business that exists — a service you deliver, a thing you make, a subject you teach — and at least one person who has paid for it. Come back when there is a first client.

If you are building a team, the manual will stop being true somewhere around the third hire. It assumes one pair of hands and stays there on purpose.

If you have a tax question or a legal question, this book will tell you when to take a number to an accountant, and it will not answer the question itself. That is a fence, and you will meet fences throughout.

And if you want to be told it is easy, it is not, and the book will not say so. The instruments are sized in evenings. Each takes one. That is the honest size of the work, and it is smaller than it looks from the outside and larger than a weekend.

Not an argument for staying small

There are good books on the case for a business of one — on why staying small is a choice rather than a failure, on what a company gains by not growing. Read them if you need the permission. This book assumes you have it.

There is also a shelf of books that sell a mindset: the identity of the founder, the discipline of the morning, the belief in the outcome. This is not one of those either. Belief has never paid a remittance on time.

What is left, when the argument and the mindset are set aside, is instruments. A worksheet that produces a number. A list with four columns. A sequence of five messages with a day beside each. These are unglamorous, and they are the whole difference between a business that runs and a person who is very busy. The distinction this book draws, over and over, is between a thing you know and a thing you have written down. You already know most of what is in here, in the way that you know you should eat before a long drive. Writing it down is what makes it a system instead of a resolution.

So the promise is narrow and it is kept: your business, written down and priced, in ten documents, in the order that makes each one easier than the last.

Three businesses you will follow

Three businesses run through every chapter of this book. They are composites — real-shaped, built from the numbers of real businesses of their kind, with names and details that belong to no one. They exist so that every instrument is shown filled in before you are asked to fill it in yourself, and so that you see the same instrument produce three different answers, because a bookkeeper, a bookbinder and a course business do not have the same constraint.

Northline Bookkeeping: a service business at the wrong price

Jo Lindqvist has been doing the books for small trades companies in Ottawa for two years. Before that she ran payroll for a mid-sized contractor for nine, which is how she knows the trades and why the trades trust her.

She has eight clients. Each pays \$450 a month, a number she arrived at by asking what a bookkeeper she used to work beside charged, and taking \$50 off because she was new. It takes her about ten hours a month per client. Her week is forty-two hours, and if you asked her how much of it was billable she would say most of it, and she would be wrong by a wide margin, as Chapter 2 shows.

The business produces about \$3,600 a month. Jo needs about \$5,000 a month to live on, and she has been making up the difference from what was left of a severance and from not thinking about it. In the second week of August, a contractor she knew from her payroll years — an electrical company with six staff, not a client — forwarded her a letter from the Canada Revenue Agency about a late HST return, with the line “I thought this was handled.” He had been doing his own books at the kitchen table on Sundays, and had never asked her. But the letter is where Jo’s story starts, because it made her look at her own numbers for the first time in a year.

Northline’s constraint, when the arithmetic is run, is price. The book follows her from \$450 to a fenced offer at \$850, a proposal to that same contractor, and a case study six months later.

Hollow Oak Bindery: a maker with a November

Dara Quinlan has been binding books for eleven years. She trained properly, she has a studio share near the river, and she makes two things people pay for: she rebinds old books, and she turns boxes of letters and photographs into single bound volumes for weddings, memorials and family archives.

Her prices are \$220 for a rebind and, for the archive volumes, “around three-eighty, depending.” The depending is the problem. A volume takes about nine hours, including the hour on the phone before and the hour of sorting she does not charge for. Her costs are low — \$900 a month for the studio share, insurance and tools — and her materials run about \$60 a job.

Hollow Oak has a November. In the six weeks before Christmas she does a third of the year’s work. In July and August she does almost none, and she has learned to think of the summer as the price of the craft rather than as a scheduling problem with a solution. The book will disagree with her about that.

When the arithmetic runs, Dara's floor comes out at \$516 a volume against the \$380 she charges, and her cash table shows what the November hides. Her constraint is price, with a seasonality problem behind it. The book follows her through a three-tier offer, a guarantee she can honour, and a home page that a search engine can finally quote.

The Grant Desk: a knowledge business with a demand problem

Sam Achebe spent nine years as a program officer at a community foundation, reading applications from small nonprofits and watching good programs get declined for reasons the applicants were never told. Two years ago he left to teach them the reasons.

The Grant Desk sells a self-paced course at \$295 and a six-week live cohort at \$950. Sam's costs are almost nothing — \$420 a month in software and insurance — and his time per seat is small, about three hours including the live sessions and the review. He needs \$4,500 a month.

Here the arithmetic says something different. Sam's price is above his floor; a seat at \$295 clears the number by eighteen percent. His problem is not what he charges. It is that the business needs twenty-three seats a month and he has never had a month with more than twenty-eight or fewer than eight, and the difference between those months is not effort. It is whether a program officer he used to work with happened to mention him.

The Grant Desk's constraint is demand, and the book follows Sam through the pipeline arithmetic that shows why one-to-one outreach cannot carry a \$950 seat, the webinar and funder pages that can, and a case study about one paragraph moved from page four to page one.

How each chapter works

The sentence, the case, the principle, the instrument, tonight

Every instrument chapter in this book has the same five parts, in the same order, and the order is the point.

It opens with **the sentence** — the thing you already say to yourself, in your words. "I'm working all the time and I still don't know whether this pays." "I quote a number and then spend the project apologising for it." The chapter begins there because that is where you begin, and because a chapter that opens with the author's framework instead of the reader's problem is asking you to translate before you have been given a reason to.

Then **the case**: one of the three businesses, with the instrument filled in and the numbers visible. You see the answer before the theory, because seeing Jo's floor come out at \$733 against her \$450 teaches more in a paragraph than a page on pricing theory can.

Then **the principle** — the two, three or four ideas the instrument is built on, one at a time, each with its reason. Then the common mistakes, because there are usually two and they are usually the same two.

Then **the instrument** itself: the worksheet, walked through field by field, with what to enter and what to do when you do not know.

And then **tonight**: one action, sized to an evening, that gets the page filled in or the first move made. Chapters end there rather than with a summary, because a summary is a thing you nod at and an action is a thing you do.

The worksheets, the Binder, and reading in order

Each instrument chapter ends with its worksheet, printed. You can fill it in on the page, or copy it; the worksheets are yours to reproduce for your own business, and the book says so on the copyright page.

There is also a Binder edition — the same ten instruments as fillable files that read one another, so the floor you set in the arithmetic appears on the offer page without your retyping it, and the price you set on the offer page becomes the deal value in the pipeline arithmetic. The Binder also holds the three businesses from this chapter, fully filled in, so you can load one and overwrite it with your own numbers. If you have the book alone, nothing here depends on the Binder; the worksheets are complete. The Binder removes the retyping and the arithmetic errors, and it updates each year.

Read the chapters in order the first time. They are ordered so that each one is easier because of the one before: you cannot fence an offer without a floor, and you cannot write a pipeline sequence without knowing who it is to. After the first pass, go to whichever page is broken. Chapter 12 tells you which page that is for each kind of trouble.

How long this takes

One instrument takes one evening. Some take less; the voice page is an hour, and the arithmetic is twenty minutes once you have found your fixed costs. The proposal chapter is written once and then used per client. Ten evenings, at one a week, is ten weeks, and that is the honest pace: an evening a week, with the week in between to let the page be wrong and to notice where.

If you have a weekend and no more, do these three: the arithmetic (Chapter 2), the buyer (Chapter 4) and the offer (Chapter 5). Those three produce a floor, a person and a price, and a business with those three written down is already in better shape than most businesses of one. The rest can follow at one a week.

What you should not do is read the whole book first and then start. Every chapter asks for a number or a sentence from you within the first two pages, and a book about instruments that is read like a novel produces a reader who agrees with it and has changed nothing. Fill in the arithmetic tonight. The rest of the book reads from it.

2. Run the arithmetic

Every other page in this book depends on one number: the price below which your work does not pay you. You cannot set it by feel, and if you have been setting it by feel, you have almost certainly set it low, because feel is calibrated by what other people charge and by what you were paid as an employee, and neither of those has anything to do with what your business needs. This chapter works the number out from what you need to earn, what the business costs, and how many hours you can actually bill once selling, admin and unbilled craft are taken out. It is the page you will negotiate against for the rest of the year, and it takes about twenty minutes.

The sentence

“I’m working all the time and I still don’t know whether this pays.”

You have said this, or something close to it, probably to someone who loves you and probably late. It is not a complaint about hours. It is a statement about information: you are putting in the work and you cannot see whether the work is producing the thing it is for. That is a strange position for a competent person to be in, and most people running a business alone are in it, for a reason that has nothing to do with competence.

The reason is that the question “does this pay?” has three parts, and most people have only ever looked at one. The part everyone looks at is revenue — what came in. The two parts almost nobody looks at are what the business needs to produce for you to be paid properly, and how many hours you can actually sell. Without those two, revenue is a number with nothing to compare it to. You are looking at a speedometer with no idea what speed you need.

This instrument gives you the other two. It is arithmetic, not accounting: no chart of accounts, no software, nothing an accountant would need to check. It asks about a dozen questions whose answers you already know or can find in fifteen minutes, and it produces a floor. Once you have the floor, “does this pay?” becomes a question you can answer with a glance, and the answer usually surprises.

What this page produces

The floor price per engagement is the number below which a piece of work costs you money — not “doesn’t pay well,” but costs you. It is the arithmetic’s main output and the offer instrument in Chapter 5 reads it directly.

The page also produces **the engagement ceiling** — how many pieces of work you can deliver in a year once the hours that are not for sale are removed — and a **twelve-month cash table** built on when money is paid rather than when it is invoiced. From the cash table come two more things: the low point, which is the month and the amount at which the account is emptiest, and the drought trigger, which is the first month in which the money in the account falls below one month of what goes out.

Those five outputs — floor, ceiling, cash table, low point, trigger — are what you carry out of the chapter. Everything else on the worksheet is an input.

The worked case: Northline Bookkeeping

Northline at \$450: eight clients, a Sunday habit, and a floor of \$733

Jo Lindqvist filled in this page on a Tuesday evening in August, at her kitchen table, with a bank statement and a calculator. Here is what she entered, in the order the worksheet asks.

What she needs to pay herself each month, after tax: **\$5,000**. Not what she would like; what the household runs on. She had to think about this one, because for two years she had been paying herself whatever was left, and the honest number was higher than what had been left.

Tax set-aside: **30 percent** of every invoice, moved to a separate account. She had been doing 25 and had been short each spring.

Fixed monthly costs: **\$650** — software, insurance, phone, her share of a co-working desk, the accountant. Variable cost per engagement: **\$0**; a bookkeeping client costs her time and nothing else. Cash in the business account: **\$4,200**.

Then the hours. She works **42** a week. She takes about **8** weeks a year with no billable work — three of holiday, one or two of sick, and three that are, if she is honest, all admin and no clients. Of a normal week, about **4** hours go to finding work, **6** to her own admin and email, and **3** to unbilled craft: reading CRA updates, learning the payroll software's new version, the things a professional has to do that no client pays for. A typical engagement — one client, one month — takes **10** hours. And she charges **\$450** for it.

The worksheet did the rest.

Billable hours in a normal week: 42 minus 4 minus 6 minus 3 is **29**. Weeks with billable work: 52 minus 8 is **44**. Billable hours a year: 29 times 44 is **1,276**. Engagements she can deliver in a year: 1,276 divided by 10 is **127** client-months, or about **ten and a half clients** at any one time. That is the ceiling. She has eight. She had thought she had room for twenty.

Revenue the business needs each month: her fixed costs, plus her draw grossed up for tax — \$650 plus \$5,000 divided by 0.70 — is **\$7,793**. A year of that is **\$93,514**. Divide the year's need by the year's billable hours and the floor hourly rate is **\$73**. Multiply by ten hours per engagement and the floor price per client-month is **\$733**.

She charges \$450. The worksheet put it plainly: her current price is **39 percent below the floor**. Every client-month at \$450 is a client-month that costs her money — not in cash, because no invoice is negative, but in the draw she is not taking and the tax she is not setting aside. The \$3,600 the business produces each month against the \$7,793 it needs is the sentence at the top of this chapter, written as a subtraction.

One more line. To break even at \$450, the business would need \$7,793 divided by \$450, which is **17.3 client-months a month**. The ceiling is 10.6. The worksheet's note beside that line reads: *more than you can deliver — price is the constraint*. Jo could not have worked her way out of this. There were not enough hours in the year to do it at that price.

What Jo did in the week after

The arithmetic does not tell you what to do. It tells you what kind of problem you have, and Jo's was a price problem, which is the best kind, because it is the only one you can fix with a letter.

She did two things that week, and the book follows both.

First, she wrote \$733 on the first page of a binder and stopped quoting below it. The next enquiry — a plumbing company with four staff, referred by an existing client — was quoted at \$850 a month, with a description of what that bought that she wrote for the first time in Chapter 5. The owner said yes on the phone. Jo has since said that she had been braced for a refusal for two years and that it took eleven seconds.

Second, she filled in the twelve months — eight client-months in most of them, nine or ten in the autumn, seven in August. At \$450, eight is \$3,600 in; her fixed costs, her draw and the tax set-aside on the inflow are \$6,730 out. That is \$3,130 a month short, against \$4,200 in the account. The table showed the account below one month of outflow in January and below zero in February. The low point was December, at minus \$30,840 — not because the account would ever show that, but because that is the size of the gap she had been filling from savings and from paying herself nothing. The drought trigger was January. She wrote the 15th of each month into her calendar as the day she checks paid engagements against the break-even count, and she moved her weekly selling hours from four to six until the count of client-months she needs at the new price fell under the ceiling.

Neither of those is a growth strategy. They are a floor and a calendar entry. They are what the arithmetic is for.

The principle

Five ideas underlie the worksheet. None of them is difficult. Each of them is skipped by almost everyone the first time, which is why the worksheet asks for them in order and does not let you skip.

Honest capacity: the week you can actually bill

The working week is not the billable week, and the difference is the single largest source of underpricing in a business of one.

When you were an employee, you were paid for the whole week. It did not matter that a third of it was meetings and email; the salary covered it. Self-employed, only the hours you deliver produce revenue, and the rest still have to happen. The rest is three kinds. There is selling — the calls, the proposals, the follow-ups — which Chapter 6 will set at a specific number of hours a week and which is never zero in a business that intends to have clients next quarter. There is admin — invoicing, bookkeeping, email, the bank — which for most people runs five to seven hours a week whether or not they admit it. And there is unbilled craft: the learning, the tool maintenance, the professional reading, the version upgrade. A tradesperson maintains the van; a designer learns the new release; a bookkeeper reads the CRA bulletin. Nobody pays for it and the work degrades without it.

Subtract those from the week, and then subtract the weeks: holiday, sickness, and the weeks that turn out to be all admin. Jo's 42 hours became 29, and her 52 weeks became 44, and her year became 1,276 hours instead of the 2,184 she would have assumed. That is not a pessimistic number. It is the true one, and pricing on the false one is why she was 39 percent below her floor without noticing.

The result is a ceiling: engagements per year. Any plan that needs more than the ceiling fails on delivery, not on demand — you will win the work and then not be able to do it — and the worksheet marks that line so that you see it before the plan does.

Revenue needed is the draw grossed up for tax, plus the bills

The second idea is what the business has to produce, and the mistake here is arithmetic rather than judgment.

Start from what you need to pay yourself, after tax, each month — the household number. Then gross it up: if you set aside 30 percent of revenue for tax, the revenue that leaves you with \$5,000 is \$5,000 divided by 0.70, which is \$7,143, not \$6,500. People add the tax percentage instead of dividing by its complement, and they arrive at a number that is short by hundreds every month, every month, forever. Then add the fixed costs — the bills that arrive whether or not you sell — and you have the monthly revenue the business needs. Multiply by twelve.

Two notes on the inputs. The draw is the household number, not a salary you used to earn and not a figure you hope to earn; Chapter 2.4.2 shows what goes wrong when it is the salary. And the tax set-aside is a percentage of revenue, moved on the day the invoice is paid, into an account you do not touch. Thirty percent is a defensible starting point for a self-employed person in Canada, and the book says so knowing that your accountant may set it differently. The point is not the percentage. The point is that it leaves your account the day the money arrives, so that the number you see is the number you have.

The floor is a price you decline below, not a price you hope for

The walk-away floor is the price per engagement below which you decline the work. It is the year's revenue need divided by the year's billable hours, multiplied by the hours in one engagement. It is not a target, not a rate card and not the price you charge. It is the price at which a piece of work stops costing you money and starts paying you exactly what the household runs on.

The distinction matters because a floor is a decision rule and a target is a wish. A target can be missed with regret; a floor is a line you do not cross, and the moment you have one, quoting changes. Jo's floor is \$733. When she quotes \$850, she is not guessing whether it is enough — she knows it clears the floor by \$117 and she knows what that \$117 is for. When a prospect asks for \$600, she is not deciding whether she can afford to say yes. She already decided, on a Tuesday in August, and the answer is no, and the answer costs her nothing to give because she has done the arithmetic on what saying yes would cost.

The floor is set here and read in Chapter 5, where the offer instrument uses it as the bottom of the price and asks you to go up from it by the value of the outcome, never down.

Cash arrives when it is paid, not when it is invoiced

The fourth idea is timing. A business can be profitable on paper and empty in the account, and the gap between those two is the difference between when you send an invoice and when the money lands.

The cash table on the worksheet asks for one number per month: how many engagements you expect to be *paid* in that month. Not delivered, not invoiced — paid. For each month it computes what comes in, what goes out — fixed costs, your draw, variable costs, and the tax set-aside on that month's inflow — and the closing balance, starting from the cash you have today.

Two lines are marked. **The low point** is the month with the smallest closing balance, and the balance itself. It is where the account is emptiest, and it is almost never the month you would have guessed, because it comes after the quiet months, not during them. **The drought trigger** is the first month in which the closing balance falls below one month of outflow — the point at which the account can no longer absorb a single bad month. That month is not the emergency. It is the date by which the pipeline instrument's minimum week, set in Chapter 6, is no longer optional.

For a business with a November, like Hollow Oak's, the cash table is the whole chapter: it shows that the summer trough is not the price of the craft but a predictable dip that the November has been quietly paying for, and it says when the dip starts eating the reserve.

Price, volume, or mix: which lever is yours

The last idea is diagnosis. The worksheet produces one line that names your constraint, and everything you do next depends on reading it correctly.

Divide the monthly revenue need by your current price per engagement, and you have the number of engagements a month you need to break even at today's price. Compare that to the ceiling divided by twelve — the engagements a month you can actually deliver. Four things can be true.

If the break-even count is above the ceiling, as Jo's was, **price** is the constraint. There are not enough hours in the year to make it work at this price, and no amount of selling will change that. The fix is Chapter 5.

If the break-even count is within the ceiling but you are not reaching it, **demand** is the constraint. Your price clears the floor; you are not selling enough of it. This is Sam's situation at The Grant Desk, and the fix is Chapter 6.

If you are reaching the count and the ceiling at once — every hour sold, and still short — **capacity** is the constraint, and the honest answer is a price rise or a change in what you sell, because you cannot add hours. That is Chapter 5 again, from the other side.

And if the annual arithmetic works but the cash table goes negative anyway, **cash** is the constraint: the money arrives in the wrong months. The fix is payment terms in the fence, a deposit, and a reserve, and it is the least glamorous and most fixable of the four.

The other two businesses show the range. Dara's floor at Hollow Oak comes out at \$516 a volume against her \$380; her constraint is price, with cash behind it. Sam's floor at The Grant Desk is \$249 a seat against his \$295; his price is fine and his constraint is demand. Same worksheet, three businesses, three different pages to turn to next.

Common mistakes

Counting forty hours as billable

Priya is a brand designer in her second year. She set her day rate by taking the annual income she wanted, dividing it by 250 working days, and adding a little for tax. It was a tidy calculation and it was wrong by about half.

When she filled in the worksheet, she started with 40 hours a week. Then she subtracted the hours that are not for sale: six a week on proposals, calls and the portfolio; seven on invoicing, email and the bank; five on learning the software release and keeping the portfolio current. That left 22. Then the weeks: four of holiday, two sick, and — she counted — three that had been all pitching and no delivery. Forty-three weeks. Her year was 946 billable hours, not the 2,000 her day-rate calculation had assumed.

Her floor, on 946 hours, was almost exactly double what she had been charging. She had been busy all year and had ended it with less than she made as an employee, and had concluded that design did not pay. Design paid. Her arithmetic did not.

The lesson is not that Priya should work more hours. It is that the hours she was not selling were real hours, doing real work that the business needed, and pricing as though they did not exist meant the clients were getting them free. Enter the hours you do not sell. The worksheet will not let you skip the field, and that is the reason the field is there.

Setting the draw at what you used to earn

Marcus was a salaried analyst with a leaving date. He filled in the worksheet six months before it, which was the right time to do it, and entered as his draw the after-tax salary he was leaving: \$7,500 a month.

The floor came out at \$190 an hour for work the market paid about \$95 for. The worksheet said the business could not exist. Marcus nearly concluded the same thing.

The error was in the first field. The draw is what the household runs on, and Marcus's household ran on about \$4,800 — the rest of his salary had been going to savings and to things a self-employed first year would not include. Entered at \$4,800, the floor came out at \$118 an hour: above the market, but within reach of it with a better offer, which is a different problem and a solvable one.

The salary you are leaving is not a household number. It is a number an employer arrived at for reasons of its own. The worksheet asks what the household runs on because that is the number the business has to produce to exist, and the gap between it and the old salary is a separate question — a question about how long you can live on the first while building toward the second — that the cash table, not the draw field, is for.

The instrument

The worksheet is at the end of this chapter, and in the Binder it is the first page. Fill it in in the order below. Where you do not know a number, use the guidance and mark the field; the worksheet works with estimates and gets better as they are replaced.

Enter what the household runs on, not what you hope for

Start with the draw. The question is not what you would like to earn or what you used to earn. It is what has to arrive in your personal account each month for the household to run — rent or mortgage, food, the car, the phone, the children, the minimum on whatever is owed. If you have never worked it out, take the last three months of personal bank statements and add up what left. That number, rounded up to the nearest hundred, is the draw.

Then the tax set-aside, as a percentage of revenue. If you have an accountant's number, use it. If not, 30 percent is a defensible start for a self-employed Canadian and the book uses it in every case. Enter it knowing you will confirm it.

Then fixed monthly costs: every bill that arrives whether or not you sell. Software, insurance, phone, workspace, professional fees, the accountant, memberships. Go through a month of business bank statements and list them; most people find two they had forgotten. Then variable cost per engagement — what one piece of work costs you in cash. Materials, subcontractors, travel. For a pure service this is zero, and zero is a real answer.

Last in this group, the cash in the business account today. It is the opening balance for the twelve-month table.

Subtract the hours that are not for sale

Enter the hours you work in a normal week — a real week, not an aspirational one. Then the weeks in the year with no billable work: holiday, sick days, and the weeks that are all admin. Eight is realistic for most people; four is optimistic; if you enter two, go back and count last year.

Then the three subtractions. Hours a week on selling and marketing: four is the minimum that keeps work coming, and Chapter 6 will set the real number. Hours on admin, finance and email: count them for one week if you have to, and then believe the count. Hours on unbilled craft and learning: the professional maintenance no client pays for.

Then the engagement. Enter the hours in one typical piece of work, start to finish, including the meetings and the revisions you do not invoice. And enter what you charge for it today.

Read the outputs. The billable hours in a normal week will be lower than you expected. The engagement ceiling is the number to sit with: it is how many pieces of work exist in your year, and every plan you make from here is bounded by it. Then read the floor, and read the line that compares your current price to it. If the percentage is negative, you have found the sentence at the top of the chapter, written as a number. That is what you came for.

Fill the twelve months on payment timing and find the low point

The last section is the table. For each of the next twelve months, enter the number of engagements you expect to be paid in that month. Paid, not invoiced. If clients pay you thirty days after the work, the work you do in March is a number in April's row.

Be honest about the shape. If you have a November, put it in November. If January is dead, enter what January is, not what you hope it becomes. Zero is a real answer.

Then read the table. Find the low point — the month and the balance — and notice that it comes later than the quiet months, because the quiet months are when the reserve starts draining and the low point is when it finishes. Find the drought trigger: the first month closing cash falls below one month of outflow. Write both in the margin.

If the table goes negative, it is not saying you will overdraw. It is saying that, at this price and this volume, the difference is being paid by something — savings, a partner's salary, a draw you are not taking — and it is telling you how large the something is. That number is the size of the problem, and it is smaller written down than it was in your head.

Do this now

Tonight

Fill in the worksheet tonight. It takes twenty minutes once you have found the fixed costs, and finding the fixed costs is fifteen minutes with a bank statement. Do not wait until you have exact numbers; enter the estimate, mark it, and replace it when you know.

Then do two things with what it produces. Write the floor price per engagement on the first page of the binder, or on a card you keep where you quote from, because a number you have to look for is a number you will negotiate against. And put the 15th of each month in your calendar, recurring, as the day you check paid engagements against the break-even count. If it is behind on the 15th, the minimum week from Chapter 6 is not optional that month. If it is ahead, you have found out something good two weeks earlier than you would have.

That is the whole of tonight. A number and a calendar entry. They are unglamorous, and they are the two things Jo did in the week that changed her business.

What this page feeds

Three later pages read from this one. The offer instrument in Chapter 5 takes the floor price per engagement and uses it as the bottom of your price: you will set a walk-away floor at or above it, and the worksheet will warn you if you set it below. The pipeline instrument in Chapter 6 takes the year's revenue need as the target it works backwards from, and it takes the selling hours you entered here and tells you whether they are enough. And the proposal instrument in Chapter 7 uses the same arithmetic — applied to the buyer's business rather than yours — to put a number on what doing nothing costs them.

Chapter 12 will ask you to re-run this page every September, with the new draw and the new costs, because the floor moves and a floor that has not been re-run in a year is a floor you no longer have. For now, the number is written down, and the rest of the book can begin.