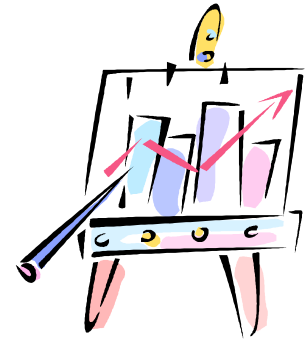


The Multiple Bottom Lines of the Closely Held Business.

by Josh Patrick, CFP®



Introduction

The first question I ask a new Client is the following: “if we were to get together three years from now, what would have had to happen for you to feel successful.” The answers I get are varied, but one has never come up and that is “I want to make as much money as possible.” As a result of this I have developed a process we use with business owners that I call The Clarity Process. With this process we want to help our clients develop a clear understanding of what their mission, vision, values and goals are.

I’ve found that most advisors think the owner of the business has as a number one goal the maximization of profits from their company. However, as I work with Clients, I have yet to have one Client who after going through our Clarity Process who’s top three goals ever is making as much money as possible. As a result of this disconnect between advisors and their Clients, millions of dollars and hundreds of hours of time are wasted working on projects that are not at the top of the list for the owner of the closely held business.

When I ask owners of closely held business what is the most important thing in their business, making a lot of money is never important unless the business is not making enough money to meet its obligations. Then and only then, will I see maximizing profit get to the top of the list. But, even in this circumstance often the owner doesn’t really want to maximize profits, they want to make enough money that they can accomplish their other goals they have in their life.

A typical situation

John Aardvark was having his annual meeting with his accountant. His accountant told John that since he was 50 years old, it was time for him to put together an exit plan for his business. His accountant then went on to tell John that since he obviously wanted to maximize the value of his business, he needed to start dressing up his business for a sale to a third party because that was the only way he could get the most for his business.

You may have noticed that John’s accountant has not asked him any questions about what he wants to do in the future. He was making assumptions based on past conversations and his own needs. Unfortunately, our advisor is most likely off the mark with what John wants to accomplish.

The first question that needs to be answered in what’s important in running your business is first, what is your personal mission. In other words, why do you run your business in the first place? If, for example, personal satisfaction is high on the list, John would need to answer the question how he will continue to fulfill those satisfaction needs after a third party has purchased his business.

The new owner will most likely not want to have John around and he will need to find ways of filling the time with meaningful activities that he used to do while running his business. So, if you are thinking about getting out of your business, you will need to know how you plan to spend your time in the future.

John was about to make a huge mistake, he was going to let his accountant set the agenda for his exit planning discussions. John needs to make sure that he controls this agenda by having a clear vision of what's important about his business to him.

Discovering the bottom lines of your business and life

John started down the exit planning path that his accountant suggested, but it just did not feel right. Although it looked like his company could be sold for a great deal of money, he was unhappy about what was going to happen with his business, his Customers and his employees. So, he asked for advice from some other owners of business in his town. They suggested that he talk with someone to help him understand what was important about his business and why he started it in the first place.

Business owners start their business for a variety of reasons. Most of the time it's because they believe they can provide a product or service that is needed or one that is not being provided as well as could be done. I have never met someone in the vending, food service, coffee service or any operating business who started their business because they thought it was the best way to make a lot of money.

As a result of this, they will often run their business not to make the very most money, but to provide services and products at a higher level than they believe other people can. They also become very involved in their community, the lives of their employees and the well being of their Customers and employees. Unfortunately, often the advisors of the business owner aren't clear on why you started your business in the first place. So, when they give you advice, it's from a viewpoint that does not even closely resemble the values you believe are important in your life.

John needed to spend some time developing a clear statement of values for what is important in his life. As he goes forward he can use this document to help not only his advisors, but also himself to understand what he wants to accomplish in his life. At the very end of the day John needs to take responsibility for making sure the multiple bottom lines he has for his business are taken care of.

When developing your personal mission statement you might want to consider some of the following areas:

- How much money do you want and need to make?
- How do you feel about your Customers and what do they mean to you on both a business and personal sense?
- How do you want your employees treated both while you have your business and after you leave your business?
- If maximizing the value of your business means selling to someone you don't like, do you still want to have this as a goal?
- What sort of role do you want to have in your company today and after you pass ownership of the business on to someone else?
- Do you have a management team that you would like to see stay together and if so what do you want your relationship to them look like?

The most important question I ask our Customers when we first start working together is the following: ***If we were to get together three, five, ten or twenty years from now, what would have had to happen during that time frame for you to feel that you have been successful as it relates to X?***

X can be a whole host of issues such as business, family, sports, physical issues, children, education, spiritual or anything else that is important in your life. Answering the above question as it relates to all of the issues that are important in your life will help you gain clarity about what you're trying to accomplish. Once you know what you want, the strategies, tactics and tools that help you get there become self evident.

After much soul searching, John decided he really didn't want to sell his business to an outsider. He found that he didn't have anything better or more interesting to do and his employees, suppliers and Customers were just too important to walk away from. John's conversations with his peers taught him that he needed to have a team of people to help him reach his goals. Not only did he need accountants and lawyers, but he also needed some organizational development consultants who could help him change his relationship with his company.

The buzz word in today's business world is to hire yourself a coach to help you get more out of what you want with your business. Although I think the coach analysis is overdone, you might just want to have someone work with you to help you change the relationship you have with your business.

We often start an engagement with a company where the owner is adamant they have to sell their business, but after doing our mission and visioning process, we find that the owner doesn't really want to sell, but they want to change their relationship to their business. I believe the reason most owners think they want to sell their business because they can't come up with a more elegant solution of achieving success in the goals that are important to them as it relates to their future with their business.

If your business is successful and you are not happy with what you spend your time doing, often selling the business will not help you solve your happiness issue. Instead, if you learned how to change what you do at work and concentrate on the areas of the business where you add true value, you will find that not only do you find more personal satisfaction at work, but you also will find your company performing better. In addition, you will find that you can spend less time at work and more time pursuing other activities you also find important.

Being in the drivers seat of a business is often the very most effective way of helping you achieve multiple goals that you have in your life. Understanding your core unique abilities allows you to achieve great things in your business which can give you the time you need to be successful with the other bottom lines in your life.

Each of has unique abilities where we perform tasks at extremely high levels. As we build a business we are often forced to take on tasks that we dislike, but must be done. As our business grows, we somehow never let these tasks go. In John's case, he needed to have someone point out a different way of achieving the goals that were important to him.

John spent about twenty hours working on a process that gave him clarity about what was important for him not only on a financial basis, but one that also took into account what was important for him as it relates to the other bottom lines he has in his personal and business life. Now John can share this information with his family, employees and advisors. Both John's family and advisors can now help him achieve the goals that are important in his life.

Spending some time thinking about what is important in your life by asking our visioning question can also help you achieve the multiple bottom lines you have in your business and personal life.

(Footnotes)

¹ Thanks to Dan Sullivan of The Strategic Coach™ for the use of this question

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