



EXPANDING YOUR OPTIONS

CHANGING YOUR RELATIONSHIP
WITH YOUR BUSINESS

STAGE2
SOLUTION

HELPING BUSINESS CREATE EXTREME VALUE

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Owning a business is a lot like growing a family. You first start with a small nucleus with lots of hope. As time grows, you add members to your family and complexity gets higher and higher. During this time your relationship with each other changes. If you're fortunate, the relationship grows deeper and more meaningful.

The same happens in your business. You start with an idea, find some Customers to purchase the goods and services you offer and add staff to help you deliver the products your Customers want to purchase. As the business grows and prospers, it becomes more complicated with the constant need to continue changing your relationship with your business to make it successful.

John Aardvark had just turned fifty years old. He had started and built a very successful business that did \$5,000,000 in sales and had thirty employees. His children were just finishing college and he was thinking about the next stage in his life as well as his business. John decided to engage a specialist in business relationship planning.

The first thing John learned was that he had in fact been transitioning his relationship to his business from the time he first started twenty-five years ago. When he first started in business, he provided the Customer service, sales, accounting and operations support that his company needed.

He realized that for him to get his business started, he needed to be everything to everybody. That phase of his business only lasted for about three months before he hired his first employee. When he hired his first employee, he made his first transition in his business. He now not only had to keep track of himself, but he also had to start keeping track of others and their work.

When John first started his business, he played the role of player only. This meant he did everything in the business. After hiring his first employee, he not only did his work but also had to supervise the person he hired. This meant that he added a role, that of Coach.

John's consultant talked with him about the different roles that he could play in his business. The consultant used a sports metaphor for describing the different roles – player, coach, general manager and owner. John needed to learn which roles he played at different times in his development and what roles he needed to play today.

The consultant told John that he could probably fill two roles well but it would be literally impossible for him to fulfill all the roles well. John realized that when he first started his company, almost all of his time was spent on doing player roles. He had to do the activities that made his business work. He had no time for planning and his only concern was about getting cash in the door.

After John hired his first employee, he needed to start thinking like a coach as well as a player. He needed to help the people he hired learn the skills that would make them successful in servicing his client base. However, he had a problem. He was so busy making sure the work got done, that he never made enough time to properly teach the fundamentals of serving his customers to the people he hired.

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During John's second year in business he started thinking about how he could get his employees to provide better and more consistent service to his customers. He noticed that he started thinking strategically some of the time, but he never actually took any strategic actions. He just didn't have enough time to do so.

John was constantly frustrated with his employees. He knew the he could do everything faster and quicker than them. But, there was just too much work to be done for him to do all the direct work himself. So, he had to learn the skills of sharing his knowledge with the people who worked for him. He realized his big mistake was that he spent the least amount of time he could teaching others. There were just too many other things that needed to be done.

With his consultant's help, John put together a personal business history where he tracked the roles he was playing. They found that John had a very difficult time letting go and moving on. At the same time, John was feeling a little burned out and wasn't having nearly as much fun for the past few years. In fact, when John was examining his roles, he found that he spent most of this time still in the role of player, then as a coach and finally as a general manager.

The problem John had was he was spending no time as an owner. He made a great living, but if he was hit by a truck and couldn't work for a period of months, it would be doubtful if the business could survive. John and his consultant came to the conclusion that John needed to make himself operationally irrelevant in his business.

As with all sports teams, we have role players and stars. Many times, entrepreneurs through just plain perseverance become stars in different parts of their business. If the owner spends his or her time working in a unique ability, they often find they have more energy at the end of the day. If they spend time doing an activity they forced themselves to be good at, they will find those activities drain energy and help them feel like they've become burned out.

John was still spending most of his time filling the role of player. He was getting tired from doing things he was good at, but was not in a core competence area. He found that he just didn't have any energy left over for working on activities that a general manager or owner might do. John's consultant reminded him that he was only working in the day-to-day activities of his business. He completely ignored the activities where he would be working on strategies to make the business better.

It wasn't that John didn't think about those strategic things that needed to be done, he just never got around to actually working on those activities.

The supervising or coaching that John was doing could be called skill coaching. He wasn't working on a game plan for his business; he was helping people learn specific skills. Even as a coach, John was being tactical and not strategic in his business activities.

The two roles that John was not filling were the two roles in his business that would increase the economic value and allow John more freedom. Even though John was making good money, the money he earned was all based on his ability to deliver the goods on a daily basis. He needed to learn general manager and owner skills. This

would allow him to move the business to the next level, make it more valuable and provide more options for him in the future.

As a general manager, John would think and take actions having the right people in the right position doing the right things. The owner roles that John needed to learn was to track if his business was providing the services his Customers wanted and measure whether the business was providing a return on investment that made John's effort worthwhile.

It was time for John to once again make new transitions. He had developed a company that provided a great job for him. Unfortunately, John could not walk away from the business and be financially independent. He found that he would need about ten years of saving using different strategies for this to happen. He needed to change how he spent his time so he could have more fun, improve his financial returns and have better options for the future.

The way John's company was running, he thought he would only have one option. That would be to sell the company to someone. He liked the idea of having his kids take over, but he knew he didn't want to trust his financial future to the decisions of his children.

John's consultant urged him to start planning to spend twenty percent of his time working as a general manager. When John asked about spending time as an owner, the consultant told John that this would happen in two years if all went well. But, for the time being, he needed to spend his time getting the right people in the right position doing the right activities.

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If John made the right moves, his company would have improved profitability. The improved profits would allow him to save for retirement and expand his options when it came time to think about his succession strategies.

If John was able to do make the right moves, he would then be able to give up his player role and concentrate on being the head coach, general manager and start having a little time to act as an owner. John's first job was to replace himself as the head sales person for the company. He was the star in this role, but he also was spending over fifty percent of his time on sales. He needed more time to act strategically to help move the company forward.

Over the next year John was able to successfully institute a hiring process that allowed him to replace himself as star sales person. He now had enough time to work on having the company doing the right things and having the right people in the right positions. John was now able to spend over forty percent of his time as general manager and fifty percent of his time as coach. He also found that as a result of these changes he started working 35 hours per week instead of the 60 hours he had convinced himself was necessary to keep the company afloat.

John's consultant next taught him how to understand the key metrics in his company. He needed to start measuring areas of his company that drove not only the financial performance, but customer satisfaction levels as well. John realized that when he spent time on these activities it was the first time in his twenty-seven years of running his business that he actually acted like the owner of the company.

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He didn't have to be out in the field doing the day-to-day work. He could work with his supervisors who were now the coaches of his people and monitor the performance through key metrics and customer visits. Instead of John having to work sixty hours per week, just getting the job done. He now could work twenty to thirty hours per week making sure the right things were getting done. That left him all of the other time to concentrate on making sure his company filled the needs of his customers.

Four years have now gone by. John realized that if something serious happened to him, he could probably be out of the business for a good six months to a year and the business would still be in good shape. He had successfully changed how he spent his time.

Over ninety percent of John's time was now spent on owner and general manager issues – making sure his customers were served properly with services they wanted to purchase at margins that allowed a great life. John also found that a new option had been generated for his business over the last four years:

John had made himself irrelevant in the day-to-day operations of his business. His consultant congratulated John for achieving the role of passive owner. John had more control over his time and he found he had more options about how he would leave his business and who the next owners might be.

The business would now run without him. He had a choice whether it was the right thing for him to sell or keep his business. John's long-term dream had always been to have his children take over the business. His daughter and son were now working in the business and doing well. John had taken actions to provide for his financial security that did not include the business. He now understood that he had many more options than when he started on this journey five years ago.

John had changed his relationship to his business. He now felt in control of his business, how he spent his time and what would ultimately happen to the business.

This is a trip that you can also take. All you need to do is start thinking life a general manager and owner and stop being a player in all of the things you do.

About The Stage 2 Solution:

The Stage 2 Solution is a group who focuses on helping their clients create extreme value in their business. The focus of our help is on Registered Investment Advisory firms that do over \$2,000,000 in gross revenue per year.

We help our clients manage revenue, create a memorable reputation and work with owners on strategies that will create sustainable value in their firms as well as for the owners of the firms.

For more information please contact:

Josh Patrick

The Stage 2 Solution
1233 Shelburne Road, Suite E-6, South Burlington, VT 05403

Jpatrick@stage2solution.com

(802) 846-1264

Visit us on the web at www.stage2solution.com

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