

Driving Value from the Inside

By: Berry Gleeson from The Alternative Board

Most small business owners get into business after developing a unique or specific set of skills and becoming inspired to start their own business. They have a dream of what owning their own business means being able to make their own decisions, freedom to control their time, the opportunity to make a difference, the chance to make more money and build a different future. Perhaps they were motivated to build a legacy.

So, they cash in some of their savings or investments, hang out their shingle and are on their own. Some of these entrepreneurs make it but, unfortunately, most don't. There are many reasons why most fail, or struggle, to survive and grow. This is a bit perplexing given that there are a wealth of resources to help these businesses. Having worked with dozens of other privately held businesses has given me insight to one critical factor that drives the value of a business - the people!

The skills, aptitude, attitude and values of each individual in a company dictate the quality of output from the company. From a valuation point of view, the stronger your management team and staff are and the less dependent the business is on the owner, the more valuable the business is. However, most business owners are consumed by their business; their dream of what ownership meant hasn't been realized and they really don't have a clear exit strategy. Some react to this reality by delegating more or hiring specific talent. But, there is a counter-productive force at work; it is the psychology of the owner. Specifically, the owner bears the consequence of every action in the company – good or bad. As a result, the owner continues to worry that things are not being done well or done at all and; therefore, they stay much too involved. They feel compelled to follow up and when they do, they certainly will find issues that are not to their liking. This is unhealthy for the business and directly undermines it's value.

So, what to do? Drive value from the inside by focusing on your people! This can be achieved by:

- Developing a strong management team that knows how to assume responsibility rather than being delegated to. Give your direct reports true authority – the freedom to act on their own.

- Push decisions lower in the organization, but insist that decisions are based on an assessment of positive and negative consequences. Train the organization to think about possible outcomes just as an owner would when issues are brought forward.
- Instill the owners' values along with a clear vision of the business. Most conflicts are a result of individuals having different values than those of the owner. The owners' values are all that matter and must be clear to all current and future employees.
- Follow Jim Collins' "Good to Great" principles by making sure you have a process to ensure the right people are on the bus AND in the right seats.
- Make sure everyone in the company is using their best talent most of the time. Ask everyone "are you doing for us what you like to do and do best?" You might be surprised with the answers.
- As an owner, write out six to ten things that are on your mind; things you're concerned about. Then, ask your direct reports to write down what they think you wrote down. Odds are the lists will not be the same. This simple exercise will indicate how focused your team is on things that matter most. This exercise is effective at all reporting levels in a company.

By doing these things, owners will eliminate distractions and be able to focus on what they do best and like to do. The end result is an organization that has a more productive culture, a stronger management team and one that is less dependent on the owner - all of which will increase the value of the business.

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