

Turning personal goodwill into professional profits

Description: When a business owner begins to feel like they have bought themselves a job, something isn't right. That's what the owner of Globe Printers, Ken Giesbrecht, determined in May, 2003 when he realized the non-stop demands of owning his small Vancouver-based commercial printing business were more than he had bargained for. After nine years and many self-described "near fatalities" as the owner-operator, Giesbrecht decided to seek out professional help. His motivation for change came mostly, he says, from fatigue. He was tired of being at the constant beck and call of his business and wondered how "real business owners" were doing things differently.

What's confusing to most business owners is that, in the vast majority of cases, the company's financials paint only a partial picture when it comes to demonstrating true business value. They are important of course, but the main difference between someone who is self-employed and someone who owns a sellable business is not net profit; it is the distribution of goodwill.

Goodwill is a major component of the value of a typical business and forms the better part of its owner's "profit" when it's time to sell. Personal goodwill is the portion of that value that is associated with the owner's name, reputation, contacts, skills and abilities. Personal goodwill, however, is not transferable. And unfortunately, it is extremely common to find that the majority of a business's goodwill value is linked directly to the owner and therefore tied up in un-sellable, personal goodwill.

When I first met Ken back in the fall of 2003, he had two basic goals.

1. He wanted to take more time off in the near future so he and his wife could start a family.
2. He wanted to transform his business into a vehicle for his eventual retirement. At this point it wasn't clear to him whether that meant selling the business or simply using it as an income source.

In the real world, not everything goes according to plan and Ken still has a ways to go if he wants to be completely free of his business. But as the before-and-after stats listed below illustrate, he has made some measurable progress towards his goals and is clearly on the right track.

Globe Printers Vital Stats (over 3-year period)

Revenue Growth: From 1.5 to 3 Million

Net Margin Growth: From 10% to 15%

Number of Employees: Increased from 10 to 21

Number of Managers employed: Increased from 0 Managers to 4

Ken's weekly hours running the business: Reduced from 60 to 30 hours/week

Following is an outline of the main steps necessary for transferring your personal goodwill to your business goodwill.

Step One: Begin with the end in mind

A healthy business is made up of two main things... people and processes. So the challenge of transferring goodwill value is really the challenge of transferring your business skills, contacts, reputation and so forth, from yourself to these two important assets.

If you're like most business owners, you likely already know this intuitively but have struggled with implementation. After several years of owning a business, it's common for an entrepreneur to get caught up in the daily running of the business, and thus lose track of the bigger picture.

The best way I know to get past this is to take a short trip into the future. Get a picture in your mind of what your business will look like once it is running like a Swiss watch, and write it down. Not only will this help motivate you into action, it will form a measurable target that you and your team can shoot for.

How big a company do you want? How profitable do you want to be? How many locations would you like to have? What type of service offering would you like to develop? What will your corporate culture be like? These types of questions can be extremely powerful.

For example, Giesbrecht wanted Globe Printers to become the Fraser Valley's largest commercial printer, without sacrificing his family life. It was a simple goal, but by clearly articulating it, he took the first step towards building the business he'd always wanted.

Step Two: Get the right people in the right seats on the bus

Dr. Anthony Williams, VP Corporate Learning for Coast Capital Savings, once told me that "people eat process for breakfast". What he meant, was that your people have a greater impact on the success of your business than anything else, including your systems. And I agree.

So once you're clear on where your business is going, take a good look at the people on your team. Are they the right people to take your business to the next level? If you're not sure, ask yourself this question honestly about each of your employees.

"Given the chance to start over, would I hire them again?"

If the answer is "no", then make plans to replace them as quickly as possible. If the answer is "yes", then make sure they are all working in the right positions and that they have all of the support and training they need.

With Globe, for example, we developed an organizational chart with clearly defined roles and responsibilities. This process then led to several personnel adjustments including the exiting of some employees and the redeployment of others. Some changes, such as the development of new management positions, had to be carefully timed so as not to cause cash-flow problems. Personnel changes are never easy, but if they are made for the right reasons and if they are made in a respectful, open and honest environment, the results can be spectacular.

Step Three: Document your processes

As important as it is to build a company of great people, every once in a while one of those great people is going to leave. And if Mr. Murphy has anything to do with it, it will happen just as you're about to take your first vacation in 10 years.

The only way to ensure that a business will continue to run independently, in spite of the inevitable comings and goings of employees is to systemize it. In other words, to take the knowledge stored inside your head, and inside the heads of your key employees, and to write it all down.

First, develop a picture of the operational workflow of your business from start to finish. This picture will be used to help you analyze your infrastructure in order to determine what systems, strategies and infrastructure will need to be changed or implemented in order to get your business running more efficiently.

Next, begin designing and implementing your individual systems. I suggest beginning with the areas of your business that will give you the "biggest bang for our buck". In Ken's case, we started with his hiring process. It was a labour intensive and overly expensive procedure that was not giving him the results he needed. So we knew any improvement here would have a big impact on the business right away.

Once you develop a clear overview of what it will take to turn your business into a well oiled machine, it's only a matter of diligently putting aside some time each week toward making the transformation happen.

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