

Decentralizing the Business Owner

Business is **Dependent** on the Owner **vs.** Business is **Independent** of the Owner



Business Owner Characteristics

- The owner works more than 55 hours per week in their business and their business likely defines who the business owner is
- Unbalanced personal and professional life, lacking purpose and vision

- The owner has a balanced life, feels fulfilled in their work, and likely operates at their highest and best use doing what they are passionate about daily
- The owner has a defined personal purpose and vision for the future inside and outside of their company

Structural Capital



- Intellectual Property, SOPs, and training programs are not documented, copyrighted, trademarked, or patented because the owner either fills the role or knows the role

- Clear vision, mission, core values, and 3-year strategy documented and presented companywide
- All processes are documented and standard operating procedures can be followed by the leadership team



Customer Capital

- The strength of the customer relationship is tied to the owner and not entangled with the brand
- Customers are highly concentrated and have a high likelihood of terminating their relationship without the owner involved

- Customers are diverse, engaged, and entangled with the company. In other words, they could not possibly think of operating without the company involved
- Customers are attracted to the brand the company has created and the belief in people, process, cause, and the solution (service or product) the company provides them

Social Capital



- Company Culture is intrinsically tied to the owner. The owner is synonymous with "the brand"
- If the owner exits, the culture disappears as well

- The culture, brand, and the way the employees work with each other do not depend on the owner at all. The business is the brand, not the owner
- Company culture is driven by core values, internal communication plans, the employees, and customers



Human Capital

- Owner must be involved with and approve company decisions, major or minor
- Executive Leadership Team struggles to manage daily operations without the owner around

- Well-formed executive leadership team with a documented succession plan
- Executive Leadership Team is empowered with the accountability and authority to make key decisions without the owner

Business Value



- Most of the perceived value is tied to the owner not in the business
- Lack of clear financial reporting historic and projected

- The company has a manageable level of risk and is predictable and scalable
- Higher valuation, driving towards best-in-class multiples



Ultimate Sale Price

- Since the owner is the most valuable asset in the business, potential buyers are less likely to make an offer
- In the event that the business does sell, it will be for a lower multiple

- Due to strong tangible and intangible capitals, the business likely sells for higher multiples