



Begin with the End in Mind

As we all begin a New Year, it's appropriate to think about what Dr. Stephen Covey, one of America's foremost management thinkers, has taught for decades.

Dr. Covey says, "When starting a new venture, begin with the end in mind." This concept, though simple, can be extremely powerful and can produce substantial unanticipated benefits.

Thus, as we begin a New Year, we should have a fairly concrete idea of what our annual sales will be, our anticipated profit levels, and how much cash our business will generate.

If you don't have some reasonable answers to these questions, Covey would ask, "If you don't know where you're going, how will you know when you get there?"

Developing the answers to these questions implies that you have an accounting and management control system in place, and that you use it to produce sales forecasts, pro-forma financial statements, and budgets.

That all sounds hard, but it's really not that difficult to do, once you understand what's going on. Ask your accountant to help you: that's what he or she is there for.

If you're starting a business or if your business is still young, Dr. Covey's challenge applies with even more force.

Carried to its fullest level, as you form your business, you should have some idea of your exit strategy.

In other words, give some thought to how you will sell the business, when you will sell it, and what you will sell it for.

These thoughts will lead you to consider how many people you will ultimately employ, how many customers you must have, and how large your investment in equipment must be.

The alternative, of course, is not to anticipate, and risk being surprised by all the dragons that surround small businesses.

The biggest dragon, in my view, is the danger we all face. Without even realizing what is going on, we wake up one morning and discover that we no longer "own" the business.



The business owns us! It has a life and imperatives of its own, and we are trapped on the inside.

Keeping a clear view of the end in mind helps us keep the larger issues in perspective, and keeps us focused on the main thing.

I can think of several people of quality

and integrity in our area who have worked hard to develop successful businesses with impeccable reputations.

Sadly, these people have become trapped inside their businesses, and have lost sight of their exit strategy.

Their businesses are losing value as a result. The time has come to cash in on the hard work and risk, but they have trouble seeing that.

They don't have a business. They have a job in a business that owns them.

A Real-Life Example

Here's what one Fort Mill business owner recently did. The business is 9 years old and has 4 employees. Two of these employees are possible successor owners.

The owner, who is in his late '50's, recently met with these two employees and announced a timetable for his exit strategy. He also announced an aggressive but achievable annual sales target for his final year.

He also stated that he would sell the business to these two at a substantial discount, if in his sole view, the two were qualified at that time to own and manage the business.

And finally, he specified what each must do to meet those qualifications.

What really happened here? The owner is taking steps to insure the future continuity of the business. He is also doing what he can to protect the interests of the customers who have made his success possible, even after he is gone from the business.

He is protecting the interests of the two employees who have also made his success possible.

And he is doing what he can to maximize his investment by planning to sell when the business has reached its maximum value.

Nothing is certain in small business, and his plans may not materialize. The two employees may choose not to buy him out, or they may not be available at the appointed time.

Even so, he is still in a good position. He just sells to a competitive firm, probably for a higher price.

The key to all this is to anticipate the future, and to take the necessary steps in the present to shape that future to your liking.

Begin with the end in mind.

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