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Absentee Business Ownership

Thinking about acquiring a business and running it absentee? My suggestion is that you think real hard, and consider a few following points before jumping in those turbulent waters.

Sail your ship with a hand at the helm

Five years ago we sold a long-standing food distribution business to a very experienced buyer from the corporate world. He was leaving a very lucrative salaried position with substantial bonuses. He decided to remain at his corporate job for a few months until his bonus situation materialized for the year, then he planned to tender notice and shift to his newly acquired business. In the mean time, he brought on a seasoned CEO who he planned to keep in the senior leadership of the company. The only problem was that the buyer's salary and bonuses remained too attractive to give up, and he never left his corporate job. This left the new CEO who was corporately savvy, but not so savvy to the food distribution industry, manning the ship. The short of it was that the storms that the new CEO was forced to steer through were much too strong for his abilities. Within two years, the company went under. The buyer never did take personal, full control of the company, even though he had personally invested over \$1,000,000 of his own money with substantial additional lender financing. Had we known at the time of the acquisition his eventual decision would be to run the business absentee, we would certainly have counseled against it.

What you may gain or lose

We are often asked, "Why can't I just bring in a good manager, or promote someone from within?" Although there certainly exist opportunities to do so with good people, the applications of making it work are few. The larger the business however, the more it does make sense. In fact, as a smaller business begins to expand, and with the expansion a widening of the employee base takes place, the better the potential exists to find qualified people to step up and run the company. Most of us as consumers know immediately when a fast food franchise has an on-site owner. The service is faster, the

food is prepared as anticipated, and the cleanliness of the store is noticeably better. The profitability and eventual success of the company can also be measured as a result of hands-on management/ownership. Fast food, restaurants, convenience stores, and other retail establishments can be horror stories without the owner on board. Although you may gain some free time personally, you may lose a substantial amount to dishonest, or less than productive employees who otherwise would work diligently under the owner's watchful care.

Learn it, build it, and manage it yourself

In the long run, I believe business owners; especially small business owners, should learn their business, build it, and manage it personally. No other person will run the business quite like you the owner. No one will treat the business and the employees the same and no one will have the same motivation to see it succeed like you the owner. There is no substitute for keeping your hand on the wheel of the ship, especially when it concerns a small business.

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