

# MENTOR

CAPITAL PARTNERS LLC



*Achieving  
Entrepreneurial  
Wealth*

## TEN REASONS MANY OWNERS DON'T EMBRACE GROWTH

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Investment bankers, strategic advisors, and performance optimization experts are stating the obvious when we say that growth and higher operating margins are good for our clients. Companies experiencing a high rate of growth sell for more than similar-sized companies that are not. Companies with relatively high profit margins can sell for more than substantially larger businesses that are earnings challenged.

We know that growth is achieved when a viable strategy is applied to a significant market opportunity and effectively implemented. And we recognize that successful implementation is dependent on the availability of adequate resources and the pro-active commitment of the company's owner, often including:

- External capital;
- An expanded management team;
- A formalized organizational development, including more decentralized decision-making;
- Sophisticated systems for customer relationship and financial management, and access to this information by more people throughout the company.

But we are mistaken when we take for granted that our clients will enthusiastically embrace the opportunity.

It is important for us to recognize that these and other accommodations that our clients are asked to make for the sake of growth can conflict with other objectives that are also important to them:

1. I'll have to substantially change my lifestyle;
2. My control of day-to-day operations may be compromised;
3. My future distributions from the business may be subject to limitations;
4. I'll have to provide more information to more people about the performance of the business and the income I receive from it;
5. Formalized budgeting / monitoring will require more frequent and detailed explanation of my results;
6. I'll have to change my management style, delegate more authority and recruit managers that will make further demands on my decision-making authority;
7. I'll have to rely on outside experts (bankers, investors, consultants, etc.) whose loyalty and effectiveness I don't fully appreciate at this time;
8. Passing the business on to my children on my terms may become more difficult;
9. The culture of the business will be "ruined";
10. I'll have to reduce my commitments outside the business (vacations and time with the family; outside directorships) for some period of time.

All these and other questions might be summed up in a single point: "What's in it for me if I make all these personal compromises for the sake of growing my business faster".

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Some of these concerns can be eliminated with a better understanding of what the changes would mean in practice. More importantly, however, they can often be overcome by quantifying the extent to which short term compromises will produce even greater medium and long term success for the business and a fuller achievement of the owner's personal goals:

- Increased business value;
- Earlier, easier and more successful business transition;
- Greater total wealth (the after-tax total of all wages, dividends, benefits and sale proceeds)
- More time to spend on the factors most important to the success of the business and the wealth created for its owner;
- Better decision-making and shared responsibility for the most important business decisions;
- Improved business performance and predictability;
- Increased control and responsiveness;
- Reduced business and personal risk.

Finally, there is usually more than one viable strategy for growing a company. If the compromises required by a strategy that should produce optimal growth are too great, more likely than not the approach can be amended in a way that accommodates the owner's concerns while still achieving growth, although perhaps at a lower rate.