

Mind Your Business

Thinking like an entrepreneur is both far-sighted and completely appropriate — regardless of where you work.

AS A FINANCIAL ADVISOR, IT GOES without saying that you're in business. And as someone who's in business, it should also go without saying that it *always* makes sense to keep your eye on maximizing your business's long-term value.

If you're employed by a brokerage firm, you may think that you really aren't in business the same way an entrepreneur is. You may think you have little control over how valuable your practice can become and that, in any case, you couldn't reap the rewards of any increase in its value. You may assume that there'd be no real point in focusing on value creation. But nothing could be farther from the truth.

Thinking like an entrepreneur is both far-sighted and completely appropriate — regardless of where you work. It doesn't matter if you work for a wirehouse, are an independent broker-dealer representative or are a registered investment advisor with your own firm. Regardless of your situation, building equity pays huge dividends for nearly everyone involved, both in the short and long term.

Benefits for All

First, by focusing on maximizing equity, you personally will be better off. Think about the last time you sold a home. In order to make it show well, you very likely spruced it up and made all those minor repairs you'd been putting off. As a result, it never looked or felt better. Similarly, even if you aren't looking to

exit your business any time soon, really "taking care of business" now will markedly increase both your cash flow and your enjoyment of your business. Obviously, this will benefit your employees or team members as well.

Second, as I've discussed many times, a big part of creating a valuable busi-



ness comes from providing your clients — ideally, fewer but wealthier clients from a specific market niche — with top-notch service and a consultative client management process. The very actions you take to attract and satisfy affluent clients are the same ones that

build tremendous value in your business. Your clients, then, will be better off because they'll have the attention and world-class service that they need and expect.

Third, whether you're in a position to actually sell your business or whether you work in a firm where you can take advantage of increasingly sensible contractual "transfer" provisions, everyone wins. If you sell your business to another advisor or firm, then clearly the buyer is happy to take over what you've created for a price that benefits you both. If you are an employee, the equation changes slightly, but everyone involved nonetheless ends up benefiting from your entrepreneurial, equity-maximizing approach.

Almost all firms today recognize the importance of succession planning and the advantages of incenting their advisors to create as much value as possible. They know that when their advisors follow a value-driven "intrapreneurial" approach, the advisors create a much more valuable set of client relationships and business processes that remain for the long term. As a result, most firms offer contractual transfer provisions that will let you transition out of the business over three to five years.

A typical transfer provision will give you in excess of two times revenue over this time period. You'll know the check on the back end is as good as your relationships with your clients are now. If you've built a valuable business and your clients stay on with your partner

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or another successor advisor, you'll do very well. If your partner or the successor advisor can grow the business, you'll do even better. But it all begins with the foundation you leave and the real value that you build up over time.

You Are the Boss of You

In my next column I'll cover exactly how to maximize equity and build an extremely valuable business. But for now, take this away: It all begins with asserting an ownership mentality. Whether or not you technically "own" your business, you should embrace an ownership

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mentality that will pave the way for the entrepreneurial (or intrapreneurial) decisions that will create the greatest possible value in the long term. So whether you're an employee or own your practice, take responsibility for maximizing your equity.

If you're an employee, this does not mean you can walk up to your manager and — like Mark Wahlberg in "Boogie Nights" or the theme song from "Malcolm in the Middle" — assert, "You are not the boss of me!" Of course not. That would merely alienate your manager and your organization, and is certainly not a smart way to go about building maximum equity in your business.

Consider things from your manager's perspective. Many forward-looking managers will recognize — and approve of — your efforts to create equity. In fact, I have spoken with many managers who are eager for their advisors to adopt an ownership attitude. Such advisors tend to be better employees who are more focused and more likely to be successful overall. (This, of course, is good for the manager as well as the firm.)

However, it's a simple fact of life that your own interests will not always be in alignment with the interests of your manager and firm. Managers are compensated in part on certain metrics, which may involve selling a new offering, underwritings or otherwise enhancing short-term profitability. Put simply, your manager may need you to do certain things in the short run that you do not see as productive to building long-term value.

What to do when such conflict arises? Here's where advanced planning and the fine art of mature compromise comes into play. First, remind yourself that this kind of conflict is inevitable. Second, given that it's inevitable, make sure that you know deep in your heart that conflicts are not personal. If you take it personally, you will only end up sacrificing the very long-term value you had hoped to create.

Finally, schedule your time so that you can do what needs to be done for your manager and organization while still moving forward on creating maximum value in your business. No one gets to do what they want to do 100 percent of the time, so you might as well act with maximum effectiveness the rest of the time.

Your business is your business, and it's up to you to increase its value. By harnessing your intelligence and dedication to your long-term goals, you (and your clients, team members or employees, and firm or organization) will be far better off. **B**