

What a Study of 14,000 Businesses Reveals About How You Should Not Be Spending Your Time

In an analysis of more than 14,000 businesses, a new study finds the most valuable companies take a contrarian approach to the boss doing the selling.

Who does the selling in your business? My guess is that when you're personally involved in doing the selling, your business is a whole lot more profitable than the months when you leave the selling to others. That makes sense because you're likely the most passionate advocate for your business. You have the most industry knowledge and the widest network of industry connections.

If your goal is to maximize your company's profit at all costs, you may have come to the conclusion that you should spend most of your time out of the office selling, and leave the dirty work of operating your businesses to your underlings.

However, if your goal is to build a valuable company—one you can sell down the road—you can't be your company's number one salesperson. In fact, the less you know your customers personally, the more valuable your business.

The Proof: A Study of 14,000 Businesses

A study was just completed that analyzed the pool of Sellability Score users for the quarter ending December 31, 2014. The Sellability Score questionnaire is offered as the first of twelve steps in The Value Builder System, a statistically proven methodology for increasing the value of a business.

The Sellability Score group asked 14,000 business owners if they had received an offer to buy their business in the last 12 months, and if so, what multiple of their pre-tax profit the offer represented. They then compared the offer made to the following question:

Which of the following best describes your personal relationship with your company's customers?

- I know each of my customers by first name and they expect that I personally get involved when they buy from my company.
- I know most of my customers by first name and they usually want to deal with me rather than one of my employees.
- I know some of my customers by first name and a few of them prefer to deal with me rather than one of my employees.
- I don't know my customers personally and rarely get involved in serving an individual customer.

2.93 vs. 4.49 Times

The average offer received among all of the businesses analyzed was 3.7 times pre-tax profit. However, when they isolated just those businesses where the owner does *not* know his/her customers personally and rarely gets involved in serving an individual customer, the offer multiple went up to 4.49.

Companies where the founder knows each of his/her customers by first name get discounted, earning offers of just 2.93 times pre-tax profit.

When Value Is the Enemy of Profit

Who you get to do the selling in your company is just one of many examples where the actions you take to build a valuable company are different than what you do to maximize your profit. If all you wanted was a fat bottom line, you likely wouldn't invest in upgrading your website or spend much time thinking about the squishy business of company culture.

How much money you make each year is important, but how you earn that profit will have a greater impact on the value of your company in the long run.

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