

## TWO HATS, ONE HEAD, BIG PROBLEM

Owners thinking like managers . . . managers second guessing owners . . . one thinking about tomorrow and the other obsessed with today. Enough of a conflict, but what if they are the same person? When is the last time that you “wore your owner’s hat” and thought about your business exclusively as the owner of it, not from the perspective of simply managing it?

Most CEO’s who are also the principal owners of a business they manage don’t distinguish between their dual roles and responsibilities so as to optimize their professional performance. The owner’s perspective asks tough questions like: How good is this investment? Is it in the right kind of assets? Are they as productive as they ought to be for me? How are my managers doing in implementing our business plan (especially if one of them is me!)?

It is difficult to be of two minds, to think like an owner and as a manager when you are in fact both. But how many of us would make an investment in securities, for example, and then not bother to measure the performance of the investment that we own? Yet, that is usually the case with CEO’s who both own and manage.

Of course, background and education shape us to think primarily as managers. We ask: What is the plan? Who are the target customers? Is the pricing right? Can we collect the receivables more swiftly? Et cetera. Accordingly, most Owner-CEO’s are not in the habit of thinking like investors, but successful entrepreneurs are best recognized by the way that they wear their two hats. It is required if a successful enterprise is to increase shareholder value.

As managers, we have a vested interest in keeping the status quo (what made us successful in the past), keeping the peace, not being disruptive, and fighting change until it is forced upon us. As owners or investors, we are determined that the companies that we invest in must change to address an ever-changing external market with a differentiated thrust.

Owner-managers often have no regular forum in which to think exclusively about their businesses as the owners of them, not (just) as the managers of them. So every ownership decision (as opposed to management decision) comes as a surprise to the rest of the management team, because it is an unusual occurrence, a special situation. Often, owner influenced decisions are put off and only made when forced by a significant outside event.

It is axiomatic that 80% of business success is a result of picking the right strategy for a given situation. In owner-managed businesses, it is in the role as business owners that there is the responsibility for strategy . . . for allocation of (finite) resources – people, cash, and time. Businesses, their owners, and other stakeholders benefit when there is a regular forum for the owners to think about resource allocation relative to strategy and performance. We call it a Board of Directors.