The ABCs OF BUSINESS OWNERSHIP

When we think of ownership in a business, we tend to focus on financial components—for example, shares of a corporation, partnership units, capital accounts, appraisals or valuations, equity or net worth. Key questions center on one's capacity to participate in the financial life of the organization. This is the "C" for "capital" in the business ownership equation.

There are two other components of the ownership equation. Both try to get at the less-tangible aspects of ownership and attempt to answer this question: Beyond the money, what makes one a good business partner? The query is relevant whether you are considering family members or key employees as new owners in your company.

The two additional criteria are "A" for "Attitude" and "B" for "Behavior." You've probably already considered a prospective owner's knowledge, skills, background and trustworthiness. These additional characteristics go a bit deeper.

"A" for Attitude

As you consider future partners, how would you characterize their attitude? Do they approach their work with enthusiasm? Are they fully engaged? Are they generally excited about the future? Do they see the glass as half full or half empty? Many business owners would take a partner with the right attitude over other factors such as education or experience.

Similarly, how do they respond to challenges or setbacks? Are they able to rebound from adversity and learn from their mistakes? Or, when challenged, do they become shrouded in a bad mood that brings everyone down? When the going gets tough, you want partners with a good attitude about the future. Will the way they approach opportunities, especially problems, enhance your partnership?

"B" for Behavior

Another consideration is how a potential partner behaves. The distinction here is not whether their behavior is good or bad, as it is easy to rule out a potential partner who exhibits poor behavioral choices. Instead, think of behaviors you hope a partner will demonstrate.

For example, one behavior involves taking responsibility for broader opportunities or challenges in the business. Early in my career, I saw a chance to hire someone else in our company who I thought would be a good fit. While it didn't work out, I'll never forget the CEO thanking me for "acting like an owner" in trying to bring value to the company outside of my division.

Another behavior is whether a prospective owner acts sacrificially. Will that person give up something in the short term if it helps the organization? It might be pay or time or a chance to do an easier task or job. He or she gets the idea that some pain now can pay off in the long run.

Yet another behavioral characteristic is what I call "low drama." These people don't get upset easily, they approach problems rationally, they limit their complaints and don't gossip, and they offer solutions along with identifying problems. Finally, they think long term and can articulate "second order" effects, where they consider the future implications of a decision, not just the immediate consequences.

To sum it up, both attitude and behavior are captured in the idea of "psychological ownership." The way potential partners express their outlook and how they act in the business shows they already think and behave as an owner long before they have made a financial investment.

"C" for Capital and Consideration

Attitude and behavior might be harder to quantify than capital, but they are just as important as the financial resources an owner brings to the table. All together, these three components offer a multilayered approach to considering new owners in your family company. ///

Email Lance Woodbury at
lance.woodbury@pinionglobal.com