PERFORMANCE
BUSINESS DESIGN
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Twelve Months to 100% Business Performance

By Michael Emerald, CFA

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About the Author

I have an undergraduate degree in physics from Boston University and an MBA in Finance from the University of North Carolina at Kenan Flagler (Chapel Hill). After working for two multi-national engineering firms I worked for an investment banking firm, Boston Financial Technology Group, packaging real estate syndications as a financial analyst. Later, I served in a Boston real estate development firm, The Finch Group, as a financial analyst, analyzing multi-dwelling-unit acquisitions. From there, I co-founded Longfellow Investment Management Company, an institutional investment management firm in downtown Boston, where I spent most of my career as a Wall Street securities analyst. My specialty was natural resource and biotech equities and Mergers & Acquisitions.

The one thing the successful businesses have in common is this: performance. And the one thing those doomed to failure have in common is: underperformance.

I learned how to start a business from start-up, to when I left it, a multi-billion dollar firm with a dozen employees and growing. In addition, from speaking to companies every day, I learned what makes a company move into the tier of a publicly held corporation and what causes a fledgling company to fail.

Today I head Performance Business Design, a business strategy consulting firm I started in 2010. Throughout my career as a securities analyst, portfolio manager and investment banking analyst, I met about twice a week (and still do) with the heads of publicly held corporations and those about to go public. I listen to CEOs describe all aspects of their company and answer probing and often difficult questions put forth by me and my peers. Afterwards, I help those corporations boost the value of their stock price by providing feedback on what can be improved. By doing this I provide feedback to such corporations by letting them know how securities analysts are evaluating them.

What does this have to do with you, you may ask? Over time, I came to understand what makes businesses reach the level of success that the corporations enjoy today. Meeting with and evaluating everything from start-ups, to Mom & Pops, IPOs, publicly held corporations and everything in between I found that the one thing the successful businesses have in common is this: performance. And the one thing those doomed to failure have in common is: underperformance. It's easy to disagree with this one-sentence definition of success, and I myself would disagree with it as well. But when you read further on what I mean by performance you'll see that it includes everything that is critical to business success. And then you'll hopefully agree with me.

When I began evaluating smaller businesses, which I define as ranging from Mom & Pops up to those with market values of $10 million, I found something dramatic. I found that 62% of the businesses I analyzed weren't performing above *half* their potential. Knowing that 70% of small businesses fail within 10 years, and that corporations I evaluate typically score between 70% and 90% lead me to form the hypothesis that the secret to smaller business longevity was business performance. What this performance entails, as well as how to plan and implement it, is the subject of this book.

Today, my firm Performance Business Design collaborates with businesses of less than $10 million in value, including start-ups, with the goal to increase business performance to the levels achieved by large corporations. By doing so, our clients enjoy the higher profits that accrue, and as well the esprit de corps that comes from working in a well-performing organization. Our hope is to see client profits increase 10% per year and for each of them to be in the 30% of businesses that last a long, long time.

Michael Emerald, CFA

Wall Street Analyst and Owner, Performance Business Design

Note: Anyone interested in information on how we work with clients can visit our website www.PerformanceBusinessDesign.com or send an email to higherprofits@performancebusinessdesign.com. Include your mailing address and we will send you information by US mail.

How to Use This Book

When I read a book, this is the section I usually skim. So, for your sake, I'll keep it brief. My objective is to help improve your business profits by improving your performance. As your performance rises, your organization will become like a sailboat getting wind in its sails. The sailboat turns with the wind, filling its sails. You feel the boat heel sideways and begin to gain speed. The sound of water splashing grows louder as your boat cuts through the waves, moving ever faster and ever closer to your destination. You don't necessarily feel the speed, but other boats around you, your competition, see the change. And it happens fast.

> Most underperforming businesses think they are performing well. It's only when a trained independent eye evaluates their businesses do they find, that there is much room for improvement.

So it is with your business. As performance increases, momentum increases. Employees become energized, the pace quickens yet stress is reduced as feelings of security plus the hope for a nice year-end bonus rises. New products roll out, and your sales and marketing departments become like fighter pilots ready for each new mission. Marketing material released to the public shows increased activity and customers become more interested, resulting in shorter sales cycles. Ultimately, as performance rises so do revenues and with it, profits.

In reading this book, we recommend that you do as our clients do. Listen to (read) how we measure performance and about the Business Performance Report. After you understand how we measure the performance of each area of your business, read each of the chapters on how to improve weak areas in your business. If you think you are already strong in an area, you might read it anyway, because each chapter includes the items we look for in making an evaluation. Most underperforming business owners think they are performing well. It's only when a trained independent eye evaluates your business do owners find that there is much room for improvement.

Once you read what we look for in evaluating each area and have made notes about your own business, prioritize those areas needing attention. Then plan to improve each, one by one, as described below.

When we work with clients to improve an area, we set aside 90 minutes a week for 6 to 8 weeks for planning. The exact number of meetings depends upon the area under consideration. You'll learn how we suggest planning for improvement in each chapter. Once an area is complete, we leave the implementation to you (though we are available to clients for that as well). Set aside a month or two to plan for the change and then the ensuing 3-6 months to implementing that change.

Chapter 1

The 12 Area Performance Check

I'm going to explain what the CFA designation is all about so that you understand more about my background and how I assess a company's prospects for success.

The Chartered Financial Analyst designation ("CFA") is the highest designation awarded to financial analysts, typically securities analysts. Attaining it entails understanding and being tested on every aspect of a business. The primary objective is to be able to assess the value of a company and its stock. A CFA evaluates business value by analyzing the company's prospects for growth. Consideration is given to its business strategy, marketing, financial strength, management, suppliers, the marketplace, competition, the economy, market trends, and any other factor which might affect a company's prospect for success. Evaluating a company is about 20% art, 50% experience and only 30% science, in my opinion. It is only by experience and meeting with and evaluating hundreds of companies that the CFA learns what is relevant and what is not. It is by experience that you learn that projects don't always get carried out, competitors can arise if barriers to entry are low, lack of financing can kill even the most promising projects, and other unexpected outcomes. It is with experience that the analyst learns the degree to which higher management can spin their company in the most successful light and which questions to ask to cut through the razzamatazz and into what is really happening. It would not be hard to name two dozen factors beyond the financial statements that a CFA uses in assessing value.

> Evaluating a company is about 20% art, 50% experience and only 30% science.

There are three tests required, spaced a year apart, to attain a CFA, each with a pass rate of about 40%. They require that the examinee be employed by, and recommended by, an investment management, insurance, bank or other financial institution. The first test (CFA I) covers factual areas of accounting and finance. The second test (CFA II) examines more subtle areas of accounting, investments and financial analysis, such as accounting for cross-border acquisitions. And the third phase, almost entirely essay, goes into the qualitative aspects of business strategy, in addition to a plethora of investment theory.

While CFAs deal primarily with publicly held corporations, this book omits specifics of investing, finance, and stock price. Our clients are privately held and while going public is always a consideration, in most cases stock price is not a consideration.

Subjective Bias in Evaluating a Company

While studying for the Chartered Financial Analyst designation, I learned that security analysts make irrational decisions. They tend to "fall in love" with a company, then find reasons for justifying their love. (Men evaluating romantic relationships have been shown to do the same). The result is that they over-estimate a company's prospects for success and may overlook a red flag indicating a problem.

> Example: A charismatic CEO leads an analyst to believe the company is more valuable than is presently indicated by its stock price. The CEO touts its talented staff, opportunities for developing new products, and a large cash position from a recent financing. But the analyst overlooks the company's lacking a marketing department. The company would be a small fish in an enormous pond and getting the word out and making the brand known will require more resources than the fledgling company is capable of.

Another bias is not evaluating all areas of the business. For example, being swayed by the wonders of a biotech's drug while overlooking its other departments, is a source of bias. One might argue that sometimes certain areas aren't pertinent. A natural resources company doesn't care about its marketing department. This is true, but unusual. Most of the time all areas of a business come into play when evaluating a business' prospects for success.

I was guilty of this falling-in-love approach myself. As an analyst, I would ponder research, both first-hand and 3rd party, for a company our team was evaluating for investment. Once I decided, I would build my case for investing in the company. Others on the team often had done the same or had been so swayed by my presentation that they felt they, too, should like the candidate investment. The result was to have a meeting supporting the decision on why this was a great company in which to invest.

This approach tended to over-state a company's strong points, and almost ignore its weak points. Meanwhile, lesser companies that were more balanced in their profile tended to get ignored. To use an analogy everyone is probably familiar with, how many fall in love with the attractive man or woman, ignoring the plainer choice who happens to have a plethora of positive traits which the attractive one lacks? The result was that I decided to evaluate all aspects of a business objectively and, to a small extent, quantitatively.

Example: A fantastic new biotech product leads an analyst to believe that a company has outstanding growth prospects. This product will cure lung cancer. This is a phenomenal company, the analyst concludes. Still, financing the clinical trials will cost many more millions than the laid-back CEO would be capable of raising[1]. Furthermore, such a small company trying to gather enough patients to conduct clinical trials in a sea of major biotech companies also competing for those same patients will take time. In all, the company would be better off targeting a smaller indication, such as a rare cancer. Doing so would grant it orphan drug status, resulting in an expedited FDA trial at far cheaper cost. But they aren't. So, the company's prospects for success are less wonderful than the analyst concluded.

Having both read and experienced that we make irrational decisions, I decided that rather than qualitatively assess the *overall* value of a company I would instead evaluate, as objectively as possible, *each of 12 specific areas* of the business. I would evaluate each by assigning a numeric score from 1 to 10 on how well each of its areas performed.

Example: A company with a well-trained and decently-sized marketing staff might score a 10 in marketing. But that same company with only enough cash on its balance sheet to last a few months before needing external financing might score a 3 in financial position.

And so, after talking to management, asking the right questions, kicking the tires and dotting the I's and crossing the T's, I score each of the12 areas from 1 to 10. I then average those areas to assign an overall performance rating, measured from 0%-100%. A company which scored an average of 5 in each of the 10 areas would be assigned a performance rating of 50%. A detail, not relevant to this book, is that the areas are weighed according to the importance of each of the 12 areas. For example, a start-up scoring 10 because it does a great job on social media but a 1 in marketing because it lacks a website is not going to score 50% (yes, I've seen plenty of businesses with just these attributes!). Rather, the 1 in marketing is going to weigh heavily towards the final score.

Another detail is why 12 areas? Why not 20? Why not 5? We'll get more into this later, when hopefully you'll agree that 12, while being a manageable number is also the number of areas critical to business success. When you see the 12 areas you'll probably agree that they encompass a lot but not too much.

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[1] Publicly held companies of less than $100 million in market value depend upon a charismatic CEO to appeal to investors. Moreover there are some wonderful companies unable to raise financing and, contrarily, some not-so-wonderful companies with charismatic CEOs able to keep it afloat for a long time.

Are High-Scoring Companies More Profitable?

To summarize what we've talked about so far, I evaluate each of 12 areas individually, weigh the score for each of the areas, and the total becomes the Business Performance Rating, which ranges from 0% to 100%. That score is what I use to decide how successful a company will be[2]. <u>Never do I ask myself whether I *like* a company, nor do I rate the business overall.</u>

Putting this method to use, I immediately found that companies which seemed stellar in the eyes of my peers appeared not so stellar when several of the 12 areas I evaluated were weak. Contrarily, companies which were deemed dull to my peers often scored highly because they were well-balanced across all areas. Companies scoring decently in every aspect of their business, although stellar in none, often receive high performance scores. Translated to your business, this means that if you do a decent job everywhere, that's not a bad thing. Indeed, it's a good thing to have a well-balanced company performing decently across all areas. As you read the rest of this book, however, you'll find that doing well in all areas isn't as easy as it sounds. Happily, our objective is for you to do *very* well in *all* areas of your business. But, truth be known, most of the smaller businesses I evaluate would improve by even being *mediocre* in all areas. Indeed, most are deficient in several.

> Doing well in all areas isn't as easy as it sounds. Happily, our objective is for you to do *very* well in *all* areas of your business.

Optional Side Note:

I'll bring up a few examples of what I mean by the well-balanced company doing well, but first a digression is in order. I said earlier in this book that the Business Performance Report is not concerned with predicting stock price; rather, it is concerned with identifying companies which will grow in profits. Were one to predict which company stocks will do well, rather than the company itself, a different analysis would be necessary since stocks contain the element of public opinion, while my analysis does not. A company with great prospects by my standards may have a stock price which is overvalued. Thus, while being a successful company, it would be a bad investment because its stock price is overly exaggerating its prospects for success.

If I were to apply my analysis to picking stocks, likely my method would not do well. I say likely and not definitely for three reasons. One is that in most cases companies which perform well and grow in profits tend to be rewarded with growing

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[2] Instead of the word "success" I'd prefer to substitute "grow according to its owners' wishes", but that is a topic reserved for later, when we define success for the smaller business.

stock prices. Secondly, while stocks contain the element of expectation, a large component of them is book value, and we know that well-performing companies have growing book values. Finally, I haven't tested my method of evaluating performance against stock price. It is possible that it would be an excellent predictor of stock price! The point is moot, though, because my objective is to make you, its owner, wealthy rather than deal with the intricacies of Wall Street.

Returning to our discussion, you may be asking how a company that is stellar in no area can do well. We have already discussed how a company lacking in certain areas can fail. Here we are asking the reverse: how can a company which is mediocre in all areas succeed? Let's give some hypothetical examples of companies mediocre in all areas which should do okay.

Notice I said hypothetical. Why not use real companies? We avoid real company examples for a couple of reasons. In the case of clients, by using us they enjoy a competitive advantage and we respect that competitive advantage by not disclosing their names. In the case of non-clients, we prefer to not point out flaws *publicly* in their businesses even if done so constructively. Performance Business Design routinely contacts non-clients privately with such opportunities for improvement. Hypothetical examples are chosen to be representative of what I see when I analyze companies.

Example 1: Imagine a company with a mediocre product, one which is similar to one already in the market and not priced dramatically different. Couple that with so-so social media activity, so-so marketing, and so-so management. The result is they are being seen, and when they are lucky enough to find interested customers, and they will, customers will buy the products, because the company performs okay across all areas. It may not be the best product available, but it is one that the customer sees (marketing), learns about (sales), receives (operations) and overall is pretty good. In other words, the company does well in all areas and earns decent profits as a result.

Example 2: Ace Limited has competitors with stellar products but high-salaried managers. Ace Limited has sound financial policies, reasonable salaries and, as a result, its staying power in the marketplace is noteworthy because it is less expensive to run. While the flashier competitors invest millions in advertising, Ace Limited weathers the competitive storm financially and once the competitors have exhausted funds and begun lay-offs, the steady plodding Ace is still existent. Ten years later they are the only one in the industry anyone remembers as having been around for a while and profits grow as a result.

Testing Whether High-performing Businesses are Successful

I've been asked "Have you done a quantitative research study to prove whether your hypothesis is true; namely, that companies performing well are more successful?" That's a fair question, and my answer is no. I've not tested the hypothesis, for a few reasons.

Why We Haven't Tested Our Hypothesis

1. Doing such a study accurately is in the academic realm, and our objective is to help companies make money rather than spend time doing academic studies.

2. Such a study would likely relate to stock price and again our objective is to help your company build profits, rather than to identify stocks which can be expected to rise[3].

3. The universe of companies this book is tailored to is mostly privately held, for which little to no financial data is available. So, measuring success would be difficult-to-impossible.

So how do we know the method of increasing performance works to improves business success? Here's why:

[3] Indeed, most of the time I am asked this question it is asked with the objective to identify good stock investments

Reasons Why Increasing Performance Improves Profits

1. Companies which score very high (over 80%) appear to the public as companies which are great. In other words, if I show you a high-scoring company, most likely you will sense it does well.

2. Companies which score badly (less than 40%) seem to the public to be lacking. These are companies which have strange business hours, poor customer reviews, inconsistent customer service, or non-existent marketing.

In other words, common sense proves that it works. Some of you may ask, "If great companies are high-performing, and we all know what a great business looks like, why did I buy this book?" A fair question. You bought this book because you'll learn how to evaluate your business' 12 areas and then strengthen weak areas to what they should be. An analogy is athletic training. We all know what an athlete looks like. Yet the proper way to build an athlete is to understand each aspect of their training, their nutrition, and so on. Joe Friel, renowned cycling and triathlon coach identified 5 components to training alone. Likewise, here you'll learn how to measure performance in the 12 areas of your business and then how to strengthen them towards 100%. And when you do, your business will appear different to your customers, much better than your competitors, and your profits will rise.

How do Businesses Typically Score for Performance?

How do businesses that we evaluate *typically* score?

Our results show that 62% of small businesses perform at less than 50%. This is from a universe of about 200 private companies of less than $10 million, our prospect universe. The reason we tally prospects and not clients is that including clients would skew results upward. When we work with clients their performance rises. Since they are not a representative sample of how most businesses perform, we do not include them[4].

If you're asking, "so what?" at this point, I remind you of the sobering statistics published frequently by business magazines. 62% operate at or below breakeven and 90% earn less than $250,000 for the whole business. If you recall that most start-up business owners expect that much for themselves, we conclude that most are performing well below their owners' expectations. That's the so what.

[4] Though of course we monitor their performance

> "Your business isn't performing well because you are successful. You are successful because you are performing well."

You ask, "Isn't it obvious that corporations would perform better, since they have at their disposal almost every available resource?" The answer is no.

It ends up that the criteria for high performance in smaller businesses is accessible to all, even the Mom & Pop. When you see how we go about improving performance and what we look for in evaluating it, you'll agree. Smaller businesses have within their means all that they need to perform higher.

Furthermore, we raise the bar when evaluating corporations by substituting more advanced areas than those for the smaller business. <u>In other words, the performance disparity between smaller and larger businesses is worse than what we report.</u>

Putting this all together, when you increase your business performance to 80% or more your company will appear to your customers to be a great business. It will attract new customers, grow, and ultimately become a large successful business. A psychologist named James (last name) once said "I'm not smiling because I'm happy; I'm happy because I'm smiling". Here, I say "Your business isn't performing well because you are successful. You are successful because you are performing well."

What is Your Grand Vision for Your Business?

You've probably seen this question a few times in many Self-Help or Business Improvement books. And you may feel it's one of those "fluff" questions, which can be ignored. But before you skip it, let me offer you two pieces of experience:

In meetings with the CEOs of publicly held corporations we often ask, "What is your grand vision for your business?" Only, we're not looking to hear a fluff answer. We are looking to hear an answer that is both thought out and with precision. "We want to become a leading drug producer in our area" isn't as acceptable as "Our plan is to take these drugs through FDA trials and, somewhere in Phase III trials, license them to a major and possibly sell the company".

And the second piece of experience stems from working with start-up clients. Before detailed planning begins, I ask the same question. And invariably I get some version of "My grand vision is to make a ton of money for me and my employees and the community!" Yet, within 10 minutes, almost without fail, they change what they first said was their grand vision for their business. And why do they change it? Because of the reasons I give below.

I've mentioned a few times success. But what is success? What does it mean to say, "a successful business"? You may be asking, "Surely anyone reading this knows what success means". Yet, when I meet with start-up clients we quickly find out a couple of surprising things. One is that success means different things to different people. Second is that almost always, what the client defines as successful they soon revise to something *less* successful. It's because I then pose the following questions to the future business owner.

Is your grand vision to become a publicly held corporation?

Sounds great, become a publicly held corporation! Plush home, nice car, household help, personal secretary, and you never need to stand in line at Starbucks again. But when I hear this, I remind start-up clients about the stress and aggravation that comes with the job. I mention the demanding schedules, frequent travel, asking for money, and worst of all answering to different stakeholders, each with different objectives.

The CEO answers to shareholders AND the community AND regulators AND employees. And pleasing all of them is like squeezing a balloon and watching the bubble move around. You give employees a raise and shareholders don't like that. You give shareholders fat dividends and the community wants to know why you aren't giving it more money as well. You trim expenses to make shareholders happy and regulators think your safety standards aren't what they used to be.

Plus, Harvard Business Review examined the CEOs of publicly held corporations and found that while CEOs rise to the top by their integrity, the pressure to grow *and keep showing growth* often leads them to act in unethical ways. I'm not suggesting CEO isn't an enviable position; rather, that it's not everyone's cup of tea.

Finally, CEOs interviewed on Freakonomics unanimously stated that it's not lonely at the top; just the opposite, you're never left alone! If you're one who likes your space, then CEO may not be right for you.

In my experience, most business owners decide that they would not want to be running a publicly held corporation. But if it still is your goal, more to you! We'll help get you there by showing you how to make your business as it stands now look its best!

Is your vision to provide employment for your family?

For some, this is a primary goal. There is nothing wrong with creating a legacy with a family owned business. It's a legitimate grand vision. Though, family members often would be doing fine for themselves, employment-wise, by not working for your company. The musical "Kinky Boots" is about a son who doesn't want to inherit his father's shoe manufacturing business. He wants to strike out on his own.

Plus, having all your family eggs in one basket can cause financial problems if things go badly. It's one thing to lose a job and junior pays more rent and Mom pays the bills. It's another thing when you're the boss, Junior's the shipping clerk, Mom's the marketing director and the business suffers a loss.

If you're still "down with" (yeah, we're hip) creating a family-owned business, I kick the tires by asking questions about future growth. If your goal is to create a publicly held corporation while employing your family, it probably won't work out that way. Nepotism isn't common in public corporations, even small ones. Indeed, those rare times when I hear Dad's the CEO and Junior's the CFO, I am sure to ask probing questions about their qualifications.

Likewise, if your goal is to become a huge private company, I point out that the leading reason companies go public is to facilitate raising equity in the public markets. Private company financing is challenging, and often done by financing from existing cash flow, which limits growth[5].

There are, of course, benefits to staying private. They include not having to answer to shareholders, many of whom can be far more bothersome than you'd like. Also, you won't have to file financial statements and answer questions about them. Not least is the cost of being public, which are over $100,000 a year even for the tiniest, the so-called micro-caps. Certainly, large privately held companies are plentiful. And lastly, a recent trend over the past few years is public companies going private.

In all, the goal of creating a large family-owned private company is acceptable, so long as the business owner understands its limitations.

Is your vision to be able to put food on the table?

Judging by the large number of small businesses we analyze which perform at levels less than 30%, I would guess this is a suitable goal for most owners. I never hear clients voice this as being an objective, since those who only want to be able to pay family bills aren't usually collaborating with consultants to build powerful companies. They are what I call the "all-setters", because whenever I suggest ideas for growth they typically respond "We're all set".

Great, I'm glad you're all set! But such businesses aren't usually all set for as long as their owners hoped for. Today's markets are dynamic, and a business which is stagnant or weak is usually not around for long. Forbes magazine estimated that 67% of small businesses operate at ***<u>or below</u>*** breakeven. So I hope you're not all set. The CEOs I meet with are never all set (I'll have more to say on this later). If you're reading this book,

[5] Admittedly, a recent trend is publicly held firms going private, for reasons which go beyond the scope of this book.

though, you're likely on my side of the fence, wanting higher profits and willing to do something for it, and I salute you for that.

Is your vision to provide good social service to the community?

The younger generations often have this as an objective. And it is an admirable objective. I'm always a bit embarrassed when I hear it because I grew up in the yuppie generation, a Baby Boomer, and for most friends the objective was to have a fast car, big house, and you know the rest.

I point out that the best way to help the community is by building a strong business. Companies operating in 3rd world countries are usually welcomed for this reason. Sure, the CEO of such off-shore firms may drive a plush car and live in a developed country, managing remotely, but he's still providing employment to a country which too often would be suffering from severe unemployment.

Or, I hear from new business owners how a portion of profits will go to charity and they'll host charitable fundraisers. True, the community does well when you donate 10% of revenues to a charitable organization. True, it does well when you contribute to community fundraisers. But if you really want to make a huge impact, then grow your business and hire members of the community. And help local government by building a strong business with strong profits which helps to relieve the local tax burden. To wit, Seattle reneged on a proposed bill for corporations to contribute $200 per employee to the state, because it realized the benefits corporations were already providing via employment and tax revenues outweighed the risk companies would relocate were the $200 bill passed.

The tax money you contribute will not only help the local economy but the people you hire in your community will use their earned dollars to help other businesses in your community. In all, your profitable business is helping your community even without sacrificing profits for the benefit of others.

So, if this is your objective, build a business that performs at 90% and acts ethically and your community is going to love you. My point is, though, the strongest driver of charitable giving is a high-performing company.

Is your vision to make as much money as you possibly can?

When I work with start-ups, several meetings before we write the business plan, I ask some questions. One of them is, "How much money do you expect to earn in your business, both for the first year and after 5 years?". A related question I ask is, "What would you like your net worth to be after 5 and 10 years?"

Typical answers I receive resemble “I want to earn $300,000 or more per year!” or “I want to be worth several million dollars!” We laugh. Who wouldn’t? Answering my own question, “*Most* wouldn’t”. But why?

It’s because when I ask whether they are willing to put in the number of hours required to manage or own such a large business, the travel required to visit branch locations, the administrative details to manage employees, and the frequent contact with community agencies or other stakeholders, the answer almost always gets adjusted to a more modest compensation.

But what if your goal is to truly earn $300,000 a year? Or a million? Or $10 million? Superb! I admire your energy and your ambition and will do everything to see that you attain it; or more exactly, show you how to build a business which performs well enough to attain it. Certainly, there are plenty of business owners capable of, and motivated to do what’s necessary to earn this much. But there are even more who aren’t, and that’s fine too.