



BUSINESS VALUATION ▪ TRANSACTION ADVISORY SERVICES ▪ VALUE MAXIMIZATION STRATEGIES



# THINKING VS. DOING: THE OWNER'S DILEMMA



**Edward E. Pratesi, CPA/ABV, ASA, CM&AA, CVA**

860.519.5648

Fax 860.519.1982

[EdP@BrentmoreAdvisors.com](mailto:EdP@BrentmoreAdvisors.com)

[www.BrentmoreAdvisors.com](http://www.BrentmoreAdvisors.com)

18 North Main Street, 3rd Floor West Hartford, CT 06107

152 Madison Avenue, Suite 200 New York, NY 10016

There's a steady breeze from the northwest, which cools the warm Caribbean afternoon. Framed between a palm tree and the turquoise water, you notice a man reading. He appears to be working, which seems strange given his appearance: shaggy blonde hair, linen shirt, surf shorts and flip-flops.

You squint and realize the man is Richard Branson and he just happens to be running Virgin Group Ltd., a multibillion-dollar conglomerate. He is working where he usually does, at Necker Island, a 74-acre retreat he owns in the British Virgin Islands.

---

*...owners of the most valuable businesses have found managers to ensure the trains run on time while they spend an increasing amount of their energy thinking about what's next for their business...*

---

Branson, of course, is far from a negligent founder, he has managers running the various businesses that make up the Virgin Group and visits his companies regularly, but he does not manage the day-to-day operations of any of his businesses, which frees up his time to think.

### **The Train Conductor vs. the Thinker**

Your role as a CEO can be divided into two buckets: one for managing and the other for thinking.

The managing bucket is where, metaphorically speaking, you ensure the trains all run on time. In this role, you're establishing goals for your employees and holding them accountable for achieving their targets. You're making sure your products and services are of a high quality and that your biggest customers are happy.

When you're wearing your manager hat, you're scouring your company looking for small enhancements every day. This obsession with continuous improvement is what big companies call "six-sigma thinking," but you probably just think of it as building a great company.

The other bucket is reserved for thinking and it's where you create the future of your company. In this visionary time, you get to design new products, imagine new ways of serving customers, or contemplate where you could take your business in the years ahead.

Your visionary hours are spent dreaming and imagining what your business could be, instead of worrying about what it is today.

### **The Most Valuable Companies**

The question is, how much of your time should you devote to each role? If your goal is to create a more valuable business—one that someone might like to buy one day—our data reveals that you should start gradually increasing the time you spend

on thinking and hire someone else to do the managing.

For example, after analyzing more than 20,000 businesses who have received their Value Builder Score, we have discovered that companies of owners who know each of their customers by first name (i.e., managers) trade at just 2.9 times their pre-tax profit, whereas the companies of owners who do not know their customers' first names (i.e., thinkers) trade at closer to 5 times pre-tax profit.

Further, companies that would suffer if their owners were unable to come to work for three months, receive significantly lower offers when compared to companies that would not feel the absence of the owner for a month or two.

Finally, in a recent survey of merger and acquisition (M&A) professionals, we asked who they like to see an owner hire if they can only afford one "C-level" executive. The M&A professionals overwhelmingly identified a general manager/second-in-command as the most important role a founder can fill ahead of a chief revenue, marketing or financial officer.

In short, the owners of the most valuable businesses have found managers to ensure the trains run on time while they spend an increasing amount of their energy thinking about what's next for their business.