

# Building a legacy of success

*It's your business, perpetuate or liquidate*

BY LEON A. DANCO, PH.D.  
PRESIDENT, UNIVERSITY SERVICES INSTITUTE  
ADJUNCT PROFESSOR OF BUSINESS ADMINISTRATION  
JOHN CARROLL UNIVERSITY  
CLEVELAND, OHIO

**B**usiness perpetuation is a very real problem which can be solved only by attacking it head on, recognizing its symptoms and its cures, and planning to deal with its seriousness as time passes.

In order to understand the alternatives in his future, the business owner must understand where he has been and how he has reached his present position. When he can see himself moving through time, headed into a future which he himself helps call into being, then he can understand and share in the excitement and challenge that lies ahead. But, before he can talk about his future he must accept and understand his past and use it as the cornerstone of his new accomplishments.

From the earliest days of his business the typical business owner has narrowed the options open to him. Instead of building a management team, instead of taking the time to prepare his heir for succession, instead of finding first rate advisors, instead of developing a useful and competent outside board of directors, instead of using modern accounting techniques to inform his management rather than to confuse the IRS and instead of sharing information with and teaching others, he decided he would rather do it all himself.

But it may not be too late to reverse the trend. To maximize his options he must share his goals, his dreams, his actions. Many business owners keep their worries, their fears and their concerns to themselves. They have never taken the time to sit down with their sons or daughters and explain what they do for a living, why they do it, how they do it, what satisfactions it has brought them and what they hoped would be the mutual future of themselves and their heirs in the company. Consequently, instead of inspiring in the children the same fervor and enthusiasm which they have for their businesses, they have alienated the children from business in general and from their own businesses in particular.

The businessman must not only involve his family, he must involve his managers, his employees, his advisors and his directors in the survival of the business instead of doing everything himself and trying to compensate for their inadequacy. The reason they don't understand

him or the business is that he never insisted that they learn. Remember who hired them in the first place.

We spoke of the need of the owner to maximize his options. In order to find out how well he is doing this job he must provide for periodic monitoring of the system. He needs outside review, badly. He needs people who are knowledgeable and trustworthy, people who will tell him honestly how they think he is doing, people who will put their finger on his pulse and point out his errors as well as his achievements.

For internal control, the owner needs an organizational chart. This chart is like a map of the road ahead or a diagram for a professional football player. It tells you where you have to go and who is there to help you.

Just as you can't keep books on the back of an envelope you cannot keep an organizational chart in your head. Those who do usually find them out of date. Some people have quit. Some have died. Some have been fired. The company may have been reorganized.

An organizational chart is your plan for the development of people. Where you don't have an organizational chart, you have no development plan. It is as simple as that.

Make the chart informative. Each management position which has a title should have an individual square. Divide this square into three sections. One section should list the name of the person occupying the position. Next put in his age and finally put in his years of service to the company.

A chart should contain your managers, officers, directors and even your shareholders. And it should somehow indicate how your outside advisors affect the functions in various departments in your business.

If you want the organizational chart to work for you in the long-range planning of your business, keep it current and let it be known to the management group.

The business owner who proceeds along the lines we have described has already wrestled with his angel and has made his decision. He has decided that his creation is to be a perpetuating business, not just a profitable hobby, and he does not intend to kill it by plunder, neglect or sale. He'll do what has to be done. He knows there is no free lunch.

To assure the survival, the profitable growth and the successful continuity of his company, the business owner must now begin to effect changes in six areas of his activity:<sup>(1)</sup> managing his people,<sup>(2)</sup> managing his money,<sup>(3)</sup> gaining commitment from outsiders,<sup>(4)</sup> managing succession,<sup>(5)</sup> managing the estate and sharing the dream and<sup>(6)</sup> managing time. If I were Moses, I would secure within these areas of concern twelve commandments for the business owner in search of specifics for his economic salvation (see box).

Complicating the smooth transition from one gener-

## TWELVE COMMANDMENTS FOR THE BUSINESS OWNER

- Thou shalt inform thy managers and employees: "This company will continue forever."
- Thou shalt continue to improve thy management knowledge, that of thy managers and that of thy family.
- Thou shalt develop a workable organization and make it visible on a chart.
- Thou shalt institute an orthodox accounting system and make available the data therefrom to thy managers, advisors and directors.
- Thou shalt develop a council of competent advisors.
- Thou shalt submit thyself to the review of a board of competent outside advisors.
- Thou shalt choose thy successor(s).
- Thou shalt be responsible that thy successor(s) be well taught.
- Thou shalt retire and install thy successor(s) within thy lifetime.
- Thou canst not take it with thee—so settle thy estate plans now.
- Thou shalt share thy dream with thy family.
- Thou shalt apportion thy time to see that these commandments be kept.

ation to another is the fact that the businessman and his heirs live in two different worlds; it is difficult for them to confront mutually the strains which threaten the business. The massive changes in government, technology, communication and human expectations require the managers of a business to expand their knowledge in a variety of fields in order to cope with the day-to-day crises. Law, finance, public relations, regulatory compliance with the IRS, OSHA, EEOC, EPA—all have become discrete disciplines requiring professional understanding and competence. It's not a one-truck, one-machine, one-location economy anymore. The son understands this. Dad, on the other hand, fervently hopes it isn't true. He continues to function on the memory of the good old days when all he worried about were customers and suppliers and competitors and production.

Technology is developing at such a rapid rate that the knowledge of the average scientist is obsolete within a decade after his graduation. What does that signify for the business owner who has been working on the same management knowledge for 20 or 30 years? It means a search for new markets, new capital, new products—change, growth, hard work. But the founder-president is

## ABOUT THE AUTHOR

Dr. Leon A. Danco is president of University Services Institute, a private Cleveland-based firm specializing in educational services for owners, successors and managers of family-owned or closely held businesses. His University Services Institute programs feature a faculty of outstanding professionals experienced in dealing with the concerns of business owners. In addition to being equally at home on the lecture platform or in the seminar classroom, Dr. Danco is the author of *Beyond Survival: A Business Owner's Guide for Success*, a book which offers the business owner and his family a comprehensive manual for ensuring the health of their business.

Educational activities carried out by the Institute include invitational seminars for business owners and their wives. These consist of intense seven-day seminars covering the areas of managing money, people, taxation and estate planning.


Additionally, programs for the young executive in the family-owned business consist of 2½-day seminars designed for successors currently active in the business.

A summer conference for heirs of private enterprise provides in-depth examinations of career options open to heirs-apparent.

Detailed information as well as copies of Dr. Danco's book (\$10.85 including postage and handling) are available from University Services Institute, P.O. Box 24197, Cleveland, Ohio 44124. Telephone 216-442-0800.

tiring of hard work. He's been there. He's paid his dues. He wants to level off, stabilize the rate of output and have some opportunity to enjoy the fruits of his labor in his remaining years.

The argument between father and son, or founder and heir, cannot continue indefinitely. Either they will discover a happy settlement, or they will destroy the business in their conflict. Time is running out for the business owner. In order to perpetuate the business he has built, he must restructure his concepts.

Unless he recognizes before it is too late that his main job as president is not to be the best employee the company ever had, but the best teacher of a star student—his successor—then he and his company will go to the grave together. The term "president" for a 50-year-old owner of a privately held business has to be equated with "teacher." And unless he opens up his school, he will not have time to play the graduation march before the requiem sounds. 

PUBLICATION#C780033

Copyright © 1978, The Aberdeen Group

All rights reserved