



John Martinka
PO Box 3085
Kirkland, WA 98083
T 425-576-1814

john@johnmartinka.com
martinkaconsulting.com
Blog: johnmartinka.com
[@johnmartinka](https://www.instagram.com/johnmartinka)

The Magic Question – What Does the Owner Do

Often simple is the best course of action. In fact, Ockam's Razor, from William of Ockam in the 14th century, states one should solve problems by choosing the solution that makes the fewest assumptions.

In the case of buying and selling a business, there has to be a match between the skills and interest of the buyer and the seller. And it goes a lot deeper.

The following simple little question to the seller uncovers at least five issues or opportunities. That question is, "What does the seller do on a daily, weekly, monthly basis." Let's examine this.

Skills match - as per above, it lets the buyer know if there's a match between the duties he or she wants to perform and what the seller does (or should I say what the seller needs to do). An overly analytical, introvert type person may love the business model but if the owner is a key component of the sales team and process it's probably not a good fit. Correspondingly, the outgoing, "I want to be in front of customers" buyer isn't a good fit for a business requiring attention to detail on bids, contracts, job prototypes, etc.

Dependency - In my talks I say to audiences, you have a dependency on the owner if you can fill in the blank with statements like, "If the owner is the only one who can _____:"

- Program the machine
- Make the big sales
- Approve all bids

Most people think of dependencies in terms of customer concentration but in small business it's what the owner does or doesn't do that often makes a difference. Buyers want owners who can take off for three weeks and return to

a company in as good of or better shape as when they left.

In versus on - as in, the buyer wants an owner who works "On" the business versus "In" the business. Working on the business means strategy, growth, vision, etc. Working in the business means being on the shop floor, making sales calls, doing bids, etc. While on the surface it may look like opportunity if the buyer can add strategy and vision, in the short-term it means hiring someone to do the day-to-day tasks that are eating up the seller's day. It's the difference between having a job as company president and having a job similar to when the buyer was an employee.

Lifestyle business - my favorite story is about the owner (seller) who told the buyer how he and his sales team worked just hard enough to make the income they wanted and didn't work anymore. He lost a great buyer who figured changing the culture of laziness to one of growth would alienate the employees, and he'd lose them. This was a lifestyle business, and there are a lot of them.

No number two - just like on Star Trek Next Generation, you have to have a good number two (employee). Actually, when we say, "no number two person is a red flag," what we're really saying it's the tip of the iceberg, meaning there's no management team. It ties into the above reasons because it means the owner is integral to the day-to-day operations, works in the business, and this is probably not what the buyer wants in a business.

A simple little question that opens up a plethora of information. As a PS, one of my other top questions for buyers is, "Can you see yourself going there every day?" This one is a gut check, to make sure it's not just emotion driving the buyer's interest in the business.