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Volume 14 Issue 5

Improve the Value of Your Business

A Deeper Dive Into the Drivers that Affect Business Value

Repeatable Human Capital and Management

By Michael Podolny, President, The Podolny Group, Inc.

Oooo now you're in for it. For if there is one thing that can set me off on a rant, it is the topic of Human Capital. But I promise I will be restrained

This is the third of four newsletters that deal with the specific things you can do to increase profitability and improve the value and marketability of your business. The four are:

- Sustainable business systems
- Scientific marketing and sales
- Repeatable human capital development and management
- Consistent application of accountability and feedback metrics

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I can't even count the number of times a client has said to me, "Everything would be great if I just didn't have to deal with my people." It's such a ubiquitous statement that it almost has become a cliché.

Why is this? Where do business owners think their business results and profits come from...the profit fairy? No, of course not. Profits come from the application of labor, of human capital. No matter the tangible assets one has, without human capital being applied in an effective manner, the mission of the business cannot be achieved. If this is the universal reality, why then is there this ambivalence about working with our people?

I believe the root causes are cultural. As a society, we do not look at the way we interact with one another as something that can be learned and managed. There is basic assumption that through a combination of what we are naturally endowed with at birth and what we learn organically through the growing up process we become perfectly competent at working with all other humans. And yet this is very obviously not the case. Communication issues bedevil us at every turn – with our friendships, our romantic relationships, our family relationships and our work relationships. But that basic conceit, the assumption that our communication and interpersonal management skills are just fine thank you, remains. In fact, people get incredibly defensive if you even intimate that they may be lacking in interpersonal skills. As a person who grew up in a home where verbal abusiveness was the norm and went out to the world having learned that as my personal norm, I can personally attest to just how deep seated that conceit is and how hard it is to come to grips with it and change.

The reality is that the skills of how we deal with others are essentially ignored at all levels of our training and development. So it is no wonder that your typical owner with a business filled with varied human relationships that need to interact effectively finds himself or herself like a fish out of water.

So What Do We Do?

Let's step back from the precipice of deep personal self-evaluation and just deal with some very pragmatic aspects of running a business. We don't need to go into years of personal counseling to get improved business results and take the frustration of

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But we do need to understand that there is a science of people management! In fact there are whole schools and disciplines devoted to this science. You can get degrees in such areas as human capital management and organizational development, and professional coaching. There are professionals who are in the business of providing evaluation, design, training, and development in these disciplines.

And we have to be open to the idea that we probably don't know it all! We have to back away from that conceit and be open to learning something a bit different. We have to allow that there are things we can learn from these human capital disciplines. We have to accept that we are part of the solution. We have to acknowledge that if we don't like what we are experiencing in our organizations, we are most likely going to have start with ourselves. If we do this, we have a real opportunity to change the equation and turn our relationship with our people from a burden to the asset it should be.

Some Practical Tips For Pulling This Off

Having just made this big pitch for bringing the disciplines of human management science into your business let me also give you some words of caution and a process for ensuring the best chance of success. Like any set of professionals you are going to find people who excel, people who are average, and people who under perform. Also there are a wide variety of schools of thought and processes in these disciplines. How are you going to ensure that you don't end up spending a lot of time and energy without getting results? I suggest the following process.

- Get a number of referrals of people who can help you. The more the better.
- Do an initial phone interview to get a general idea of their philosophy, how they work with clients, and some examples of work results they have achieved. Be sure in the beginning to give them a brief background on yourself, your business, and your business issues. A number may self-select out because their client profile may not match you.
- Based upon your phone calls create the list you want to meet with personally. 3 to 5 is a good number.
- Schedule face-to-face meetings. These will be your self-education
- When you meet with them, be sure to get lots of information on their methodology, how it works, how they work with clients, case studies, problems

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- Get references and check them out!
- After you've met with everyone, go back and review what you've heard. There can be very capable people who may not be best suited for your particular circumstance. Maybe they deal with larger companies than you or at a different level within organizations. Look for the methodology and person who best resonate with you.
- Be sure to structure a small engagement limited in time and scope so both you and the professional you are hiring can see how things are working and make adjustments.
- Give the process the personal attention and work the professional asks of you. This kind of work will only be successful if you are fully engaged in the process. You can't send the professional to work in your organization without you buying into it!

How This Relates To Value and Marketability

The connection between this kind of investment and value is direct. Businesses that make these types of investments find that financial performance improves because their people are more focused and performing more effectively. My clients frequently will see a return on investment of many multiples of on the dollars they spend - meaning for every dollar they spend on human capital management consulting will result in an increase in profitability of two or three times that dollar. Each dollar of increased profit results in a 4 to 5 times increase in business value. And when it is time to go to market, the presence of human management systems that are consistently employed takes away the negative marketability factor of a business being overly dependent on its owner.

What more do you need to motivate you to take charge of your human capital management? Give me a call at 505.856.2646 or email me at michael@podolny.com to find out more about how you can increase the value and marketability of your business.

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