

The Ownership Model Has Changed, Too By RICHARD B. KELSKY

In *The Model Has Changed*, I focused on the need to adjust to the shifting sands of the industry's business and economic models. There was such a great response to that article that I proposed and chaired workshops under the same name at Financial Service Centers of America, and again at the Financial Service Centers of New York annual meeting. Those workshops ended up morphing into a much broader discussion, dealing not only with the business and economic models, but delving deeply into the changing ownership model as well.

Through that came my recognition that unless you adapt to changes in all three models — business, economic and ownership — you are sitting on a stool that is about to tip over. This article provides some of the highlights and insights of the ownership model discussions from those workshops.

What exactly is the “changing ownership model?” Well, it starts with a state of mind and ends with a modified behavior pattern that is built for success. The problem is, it ain't easy. In fact, it requires the most effort of all three models. You have to be ready to deal with issues such as self-evaluation, behavioral changes, personal life changes, lifestyle shifts, changes in daily living, revisiting business relationships and plans, achieving personal balance, attitude improvement, honesty and directness between business partners, and a general adjustment to the “New Normal,” to name a few.

The New Normal

Except for a select few of us, our grandparents did not grow up driving a Cadillac (or whatever the American equivalent of a Mercedes or BMW was at the time). Being older than many of you, my grandparents grew up in eastern Europe in the 1880s, and my parents grew up in New York during The Great Depression of the 1930s — riding the subway. In this day of the “New Normal,” their childhood experiences and the life lessons they taught at home turned out to be a real advantage for me. Those lessons made it easier for me to achieve a balance in my life between what I want and what I need.

Whether you were raised by Depression Era parents or not, you have no choice but to adjust to the New Normal. The New Normal includes dialing back ostentatious consumption, and instituting a process of making choices — conscious decisions — even in circumstances where your ability to bear the monetary cost of that decision is not an issue. For help in finding your New Normal, I highly recommend reading *The Millionaire Next Door* because the New Normal will be around for the foreseeable future.

A Small Word: “No”

Even if your first car was a BMW, you need to come to grips with today's reality. Here's the first lesson: Learn to say “no.” Sure, “yes” is almost always easier at the moment — until the bill arrives. And that bill is not always paid in dollars. Sometimes, it is the loss of your business time or your free time. Sometimes, it involves loss of morals, principles and reputation. Sometimes, you pay in stress and sleepless nights. So I suggest that you get comfortable with the word “no.”

That's not just saying “no” to your kids or your spouse; it's “no” to yourself and your wants; “no” to questionable business practices, “no” to demanding more from your business than it can give, “no” to checks you know are way too risky, “no” to long lunches at expensive restaurants, and “no” to the lifestyle, to name a few.

How can you say “no” to your kid's “need” for a new iPad? The “need” for a new car before the lease expires? The “need” for that extra vacation that you just have to take or you'll go crazy? The “need” for dinner out three nights a week? Practice in the mirror: “No,” “no,” “no.” Aside from the obvious — managing some deflated expectations — what you will get back is empowerment, freedom and a sudden flexibility.

And “Good Morning”

Your employees are a direct reflection of you. If you come in angry, aggressive, or negative, that is exactly how your employees will treat your customers. If you walk through the door positive and upbeat, regardless of the challenges you expect, they will be positive and upbeat. If you come in expecting results

without a business plan (and involving your employees in implementing that plan), you will be disappointed. In short, you need to start every day with a positive outlook, with a plan for the day and for the business, accept and adjust to the day's events, and stop being surprised by reality and using it as an excuse for a bad attitude and lack of planning.

Resetting Partnerships

Time and again, I am asked by owners, "What's wrong with my business?" All too often it is a question of simple math.

In multi-generational operations, the math can get even more fuzzy. For example, take Dad, who always drew \$300k from the business each year, plus perks. Dad brings in his older son (Son No. 1) to run the business. Dad says to Son No. 1, "You can pay yourself \$125k." Dad also asks his younger son (Son No. 2) to come in to the business. Son No. 2 doesn't much like working every day, but still wants \$75k to hang around. With all of the business and economic changes of the past few years, the business only generates, at most, \$400k. The problem is, dad still wants his \$300k (plus perks)! (Hint: $\$300k + \$125k + \$75k + \$Perks = \$500k + \$Perks$, which is way more than \$400k).



You know where this is going. Playing cash flow games, drawing on credit lines, inadequate liquidity and net worth, loss of bank and vendor relationships and worse. Math like this is delusional and unsustainable.

If all of them (Dad, Son No. 1 and Son No. 2) are to stay in the business (and perhaps they cannot), the partnership must be reset. That means honest and direct conversation and analysis. What the business can and cannot afford. What each party's effort needs to be, what effort each party is willing to commit, and what that effort is worth in the marketplace. What money needs to be left in the business to maintain adequate net worth, provide working capital, support banking and vendor relationships, and provide an operational safety net. The same analysis applies even if you are a one-person-owned operation.

Happiness Leads to Success

Most people believe that the key to personal happiness is business success. They live and work for years in a perpetual state of unhappiness on the theory that some day they will be successful, and therefore suddenly become happy. That can happen — in the movies.

In the real world, especially when you own your own business, it works the other way. The key to business success is personal happiness. Living a life in balance and accepting the reality of how things are while embracing change in order to move forward.

If you work on improving your personal happiness every day, your family, business partners, employees and customers will sense it, your energy, focus and ability to manage and cope will dramatically increase, and the doors to business success will open.

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