

What is “Owner Material?”

Many closely held businesses are considering adding additional owners. Perhaps the owner has heard about how key employees can help drive the value of the business up, and want to use ownership to provide more of an incentive to those key employees. Perhaps a couple of employees work hard and have said they would like ownership. Or perhaps the business owner “promised” this some time ago and now wants to move forward with it.

Before the business owner goes too far down the road of employee ownership, they should think hard about whether that person is “owner material.” They may be great employees (or perhaps even just good employees) but not really ready for ownership – or at least the business owner is not really ready to share ownership with them and take on the burdens of having co-owners, regardless of how large or small their percentage might be.

So how do you tell when a person is “owner material” or “thinks like an owner?”

- They think about more just than their job. They consider how their job fits into the whole picture. They think about how problems elsewhere can impact them and how problems they have or they create can impact the business as a whole.
- They are willing to do whatever it takes to make the business succeed. The phrase “that’s not my job” would never occur to them.
- They have the skills to handle people – employees, customers, vendors.
- They are good ambassadors for the business – both inside and to outsiders.
- They are willing to train others; the newer employees. And they are capable of doing that.
- They have the skills to run a business – to understand the company’s financial statements and think about how to improve the company’s financial position.
- They think ahead; they can imagine what might be around the corner. They are looking for opportunities for the business, and they are weighing the risks involved.
- They think about how changing this one thing might have a wonderful impact on the business, or perhaps a really bad impact.

- They are willing to take risk personally. They are willing to put themselves in awkward situations, situations that they have not been in before, for the betterment of the business.
- They are willing to take personal financial risk. If the company is a bit cash light, they may have to skip a paycheck, or two or more. If the company is borrowing money, they will sign a personal guarantee or even come up with personal funds to meet that requirement.
- They are someone that others see as a leader in the business.

No one will have all of these characteristics, and no one is perfect (and that includes the business owner!). The business owner is looking for a really good “partner” and whether that is a fit is, of course, subjective.

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