

The Art of Letting Go

Why making yourself dispensable makes good business sense

By Joe John Duran

If you want something done right, do it yourself! We've all heard it before, and heaven knows it's the motto for many of the entrepreneurs who are brave enough to start a business. But might that sage advice be costing them a fortune? America is a hotbed of entrepreneurship. About one million new companies are formed every year, most started by entrepreneurs willing to put it all on the line for a shot at a secure financial freedom under their own control. But that magic word "control" comes at a price.

After interviewing dozens of entrepreneurs in a broad range of industries, I found that there is one trait that business owners share: they all have conviction. They believe in themselves or their business ideas enough to put their wealth, reputations, and resources on the line in order to build a company. And, after risking so much, they are reluctant to trust other people to take over from them. And yet one of the most important traits that all of the successful entrepreneurs had to learn in order to grow their companies to the next level was the art of letting go.

Most successful business owners have at some point developed a keen ability to delegate. All admitted that learning to let go was tough, but that it was a crucial component in building their companies. Certainly, after my own experience in building a multi-billion dollar investment firm, I can wholeheartedly agree. Had my partners and I not let others come in to contribute, we simply would have been stuck at one-tenth the size we eventually reached before selling the company to General Electric's GE Financial. Following are the three most important reasons why entrepreneurs win when they let go:

1. Increased focus brings increased results. Many entrepreneurs think that no-one can do certain things in their company as well as they can. Business owners often discount how important and beneficial dedicated focus can be.

For example, Werner thought that no one could sell his investment products as well as he could. Nonetheless, he brought in a salesman who he liked but whom he believed was only half as good at sales as Werner was. Sales still increased significantly. This worked out because Werner typically spent less than a third of his time selling while the new salesman spent all of his time selling. Even though the salesman might only have been half as good as Werner, the fact that he spent so much more time at it meant that more sales occurred. The benefits of having a person focus on one area of the business apply to every area of the business, from accounting to operations.

2. Spend your time on more important decisions, and you'll make more money. Since there are a finite number of hours in a day, knowing what your time is worth is crucial. Giving the five-dollar-an-hour work to someone else frees you up to focus on the more important facets of the business.

For example, Dave runs a recruiting firm. Before he hired an associate to help him take care of the small stuff, he spent half of his day making copies, printing documents, and taking care of routine follow up. Once he had an assistant, he could spend so much more time in closing business that he doubled his revenue within six months.

3. The less important you are, the more valuable your business. This is counterintuitive for most people. After all, most entrepreneurs built a business by their own sheer willpower, and yet if the business is still completely dependent on the founder, then it is not transferable to a new buyer and is not very valuable. The opposite is also true. If the business can continue to operate on a day to day basis without the owner's direct participation, then it will be far more attractive to a wider array of buyers and it will be more valuable.

This can be demonstrated with a simple example. Imagine you own a barber shop and you have hundreds of loyal customers. If they love getting their hair cut by only you, then what is the business worth to someone else? Obviously it's not worth much. However, if you had a couple of barbers who worked for you, then your departure would probably not stop the clients from coming in. This gives your business a value.

While letting go of some of your daily tasks might be challenging, as long as you keep an eye on things and make sure that your standards and values are maintained, you will benefit immensely.

As one very successful entrepreneur shared, "When I learnt to let go, I spent more time doing what I loved, I grew my business faster, and eventually it became a lot more valuable when I sold it." That's a pretty good reason to learn the art of letting go.

Written by Joe John Duran CFA, author of Start it Sell it & Make a Mint © John Wiley & Sons June, 2004.