



# Do You Own Your Business or Does Your Business Own You?




## The 3 Business Altitudes

The purpose of this publication, as well as the overall purpose of the Small Business Development Center (SBDC), is to help entrepreneurs with high aspirations survive their climb to a desired altitude in business. We have developed the following formula for reaching your altitude:

$$\text{Attitude} + \text{Aptitude} + \text{Amplitude} = \text{Altitude in Business}$$

The SBDC has outlined three altitude peaks business owners can attempt to reach. In describing the three levels entrepreneurs climb, we make analogous references to surviving the climb of three mountain peaks and also reference the books *Good to Great* and *Built to Last*.

Surviving your climb requires that entrepreneurs first select their desired altitude.

### Peak 1: Creating a “Good Company”

This is the first altitude level represented by the lowest mountain peak (see exhibit on page 2). The individual is attempting to become “self-employed” in which the business provides enough money to meet their immediate financial obligations. What the owner draws from the business equals the amount received from a job working the same hours.

### Peak 2: Developing a “Great Company”

Striving for the second peak requires a second climb – growing “equity” in the business.

Business equity is a positive value of the company. Value is developed when the owner reinvests in the company with money and time. The owner is **no longer working** the business as a job, receiving the same financial rewards as if they are employed. The owner has the ability to be **away from day-to-day functions** of the business. Compensation is greater than their time in the businesses.

We pose the following question to clients to assess if they have successfully climbed to Peak 2: “Can you be away from the business for three weeks?” If the answer is no, you do not have much, if any, true equity.

Most business owners are still in bondage to the business as a job, either not surviving the climb or not even starting to move their business from a good company to a great company. **It requires working on the business, not in the business.**

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### Peak 3: Building a “Lasting Company”

This is the final level, where the business owner has established “Independence.” The owner is absolutely **free from the day-to-day functions**; all business functions can be duplicated without the entrepreneur’s direct involvement. The company has a defined value; the equity of the business is well-documented and measurable. With freedom and value, the business can last for another generation or for another owner.

Very small percentages of business are able to be sold or are successfully transferred to a family member.

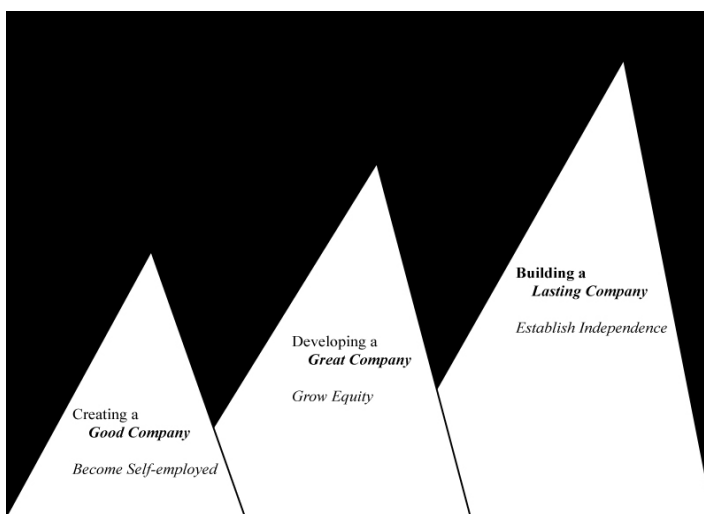
There is nothing wrong with climbing to and remaining at “Altitude Peak 1: A Good Company – Self Employment,” as long as that is the desired altitude. Many entrepreneurs desire “Altitude Peak 3: A Lasting Company – Independence,” but have not planned for that altitude. If you do not plan for the altitude you desire, the chances of surviving the climb is even lower..

### Defining Your Selected Peak

We explain to clients that once you select your altitude level, you must choose your mountain. In defining your mountain, you must have solid life encompassing goals.

Setting goals is very important. There was a study done in 1979 with Harvard MBA students, in which they were asked if they had set clear, written goals for their future and plans to accomplish them. 3% had written goals and plans. 13% had goals, but they were not written. 84% had no specific goals at all.

Ten years later, the students were interviewed again about their goals. The 13% were earning twice as much as the 84% who had no goals. The 3% who had clear, written goals were earning ten times as much as the total 97% put together. This is a clear illustration of how important it is



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for a business to set goals for their future as well as plans to accomplish those goals.

Do not make your entrepreneur experience simply reaching objectives. Make your climb a quest, an adventurous journey. Many people still *Manage by Objective* (MBO), looking **only** at the end. We encourage that you *Manage by Questing* (MBQ), a concept introduced by author and educator John Clemens, in which the journey is greater than or as great as the destination. You need to begin with your peak in mind, but make your climb an enjoyable adventure.

### Conclusion & Next Step

If you desire to have independence, you must build your business as if you were to franchise it. I’m sure that you never intend to franchise your business, but if you build it as if you could franchise it, you will truly have a business that can operate on its own. How did Ray Kroc (the creator of the McDonald’s concept) ensure that every Big Mac throughout the world would taste the same and not be standing in every McDonald’s location? The answer: he had systems in place for each significant process.

An excellent resource to further your understanding of building as a franchise to reach independence and be free from being owned by your business is the book “The E-Myth Revisited: Why Most Small Businesses Don’t Work and What to Do About It.” This book shows you how to apply the principles of franchising to any business, regardless of whether it is a franchise. More importantly, it highlights the difference between “working on your business and working in your business.”

Reaching your desired altitude is an adventure that will require a lot of hard work and dedication. By setting realistic goals and objectives, you are developing a plan to reach the peak of the mountain. Enjoy the challenges that you meet along the way and learn from your mistakes. Remember:

### Begin with Your Peak in Mind.

Read our next article, “The 8 Attitudes to Being A Successful Entrepreneur,” to see how Attitude plays a role in reaching your desired Altitude.

