

WILSON HARRELL

F.Y!  
Hope you  
can learn from  
my past.  
Reed

# Your Biggest Mistake

*Can You Prevent It Before Disaster Hits?*

IF YOU'RE AN ENTREPRENEUR RUNNING A FAST-GROWING COMPANY, you will soon make a world-class, humongous, idiotic mistake. It will be what I call "abdication." It will happen at the moment you try to delegate real authority to professional managers.

Over the years, I have watched in horror as my entrepreneurial friends lost their way at this critical juncture. It's been like watching a herd of sheep jumping off a cliff. Maybe I can't stop you, but at least I may cushion your landing.

My friend Reed runs a telemarketing company, selling home equity loans to people who want to pay off their high-interest loans from finance and credit card companies. The savings are enormous. Like most entrepreneurs, Reed loves to sell, talk to his customers, and motivate his people. With a great idea and no money, Reed and his racehorses took his company from zero to more than \$100 million in loans in five years, receiving a small percentage on each loan. Money flowed in like magic and was immediately dispersed with reckless abandon. Everyone had a ball. Commissioned sales reps were making between \$3,000 and \$15,000 — not per month, but per week.

Reed hated the details of managing the business, so he hired John, a manager with enough credentials to choke a horse. He was not just a CPA but a proven senior executive with a *Fortune*-500 company.

John was an administrative genius. He took over everything, establishing procedures, controls, personnel policies, and all that other good stuff. Suddenly, the company was being run properly. For example, it was forbidden to whoop and holler when someone closed a big sale or to run down the hall, shouting, "I did it, I did it!" That would have disrupted the telemarketers.

Reed now had lots of time to spend with his ever-growing number of playmates. His golf score went way down. He got a condo on the beach and was preparing to buy a yacht. He even had time to read my book, which prompted him to call me to say "Wilson, come and see how great my company is doing!"

At the end of my first day there, Reed, John, and I were having drinks. "Well, what do you think?" Reed asked me.

"Your company," I replied, "is a disaster waiting to happen." Stunned silence. Two mouths hanging open.

Reed recovered enough to say, "Wilson, what are you talking

about? Are you nuts? Didn't you see those numbers?" And so on.

What I had seen was that the sales force was desperately unhappy under the new regime and that the finely tuned machine John had created was about to have its engine seize up. I explained, "Reed, you have abdicated. You have delegated what you cannot delegate. You have crowned a new king who is grossly incompetent to rule the entrepreneurial business you have built. Get your playboy butt back to running your racehorses, or you'll wake up one morning and find a stable full of mules."

We spent 15 minutes trying to get John breathing again. He was furious, and understandably so. He had cleaned up a corporate mess, cut costs, and increased profits. John did not challenge my ancestry but questioned my professional ability. He had all the facts on his side. But I had history on mine.

Reed got on his white horse and recaptured his sales force. He was amazed to find that some of his racehorses had begun to grow longer ears and to bray a bit, but a little whooping and hollering and running down the hall soon cured that. For now, Reed is irreplaceable.



## ARE ENTREPRENEURS UNTRUSTWORTHY?

Another entrepreneur we'll call Keith ran a booming NASDAQ public company. Shortly after his IPO, a director who had been selected by the investment banker persuaded Keith to give his CEO job to a Wall Street-type manager. Financial people don't trust entrepreneurs, the banker explained, so it would be in his own best interest. So Keith abdicated.

Before you could say Jack Robinson, several other abdications fol-

lowed — namely, customers and key executives. Keith watched his paper fortune disappear like hog meat in a hound dog pen. It took a while, but Keith bought himself a white horse and a long knife and then "abdicated" Mr. Wall Street and the director who'd brought him in. Sales and profits are on the rise again.

Hire professional managers to run whatever entrepreneurs don't want to run. But never let them get their hands around the throats of the people who bring money in the door.

There may come a day when John or Mr. Wall Street should take over a company. That's the day the entrepreneur is ready to walk out the door with a big, big bag over his shoulder, saying, "Adios, baby! It's all yours now!" Then it's time to saddle up and go a-hunting for racehorses — and do it all over again. ☐

*Wilson Harrell is a consultant and speaker to the entrepreneurial market and the author of the book For Entrepreneurs Only. To reach Harrell, fax him at 770-889-4030.*

*To obtain Harrell's book, For Entrepreneurs Only, see page 66.*