

HOW TO BUILD A BUSINESS

K O B I S I M M A T

OTHERS WANT TO



BUY

WILEY

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What does
the 5-star
experience
look like?

Chapter 1

Why every 15-year-old boy needs a Karen Pini in his life

Any teenage boy who grew up in the '80s will remember Karen Pini. Karen was a Miss World finalist, a *Playboy* model, an actress and the Lotto lady on Channel Nine. She was also my neighbour (I know—some kids have all the luck). She wasn't just my neighbour, though. She was my friend and became one of the most influential figures in my life.

Karen ran the Cottage Point Kiosk, a general store for the local community living in and around the Ku-ring-gai Chase National Park, 30 kilometres north of Sydney. The kiosk overlooked the Hawkesbury River and was the fulcrum around which the local boating community congregated. You could say the kiosk was a 'mixed business'. It was a

convenience store, a coffee shop and a wharf; it offered boat hire, boat repairs, boat cleaning and much more. During the day it was a one-stop shop for sailors and their crews, and at night it came alive with music, food and lots of partying.

My big break

When I was 15, just prior to Dad losing the house, Karen offered me a part-time job helping out behind the counter and serving customers. It was a good arrangement for both of us. The kiosk was located just up the street from where I lived, so I could walk to work after school each day and Karen could call on me at short notice if she needed help.

The job suited me on a range of levels. Mum was busy looking after my younger brother and sister. Dad was always working, his business was faltering and money was tight. To make matters worse, Mum was drinking a fair bit ('I'm an alcoholic because your dad's a workaholic!', she'd say). So, all in all, the atmosphere at home was pretty tense.

School was not going so well either. I was floundering and couldn't do a thing right. The kids hated me, and I hated them. The teachers at school thought I was a smart arse. They resented me for questioning anything and could see that I was more mature than the other kids, and unwilling to tolerate their inane utterings and idiotic policies.

It didn't help that my grades were poor too, which gave the teachers more ammunition to attack me. It wasn't that I lacked mental aptitude. I just didn't get what school was for. Why did I need to learn about the Magna Carta? Who cares about the Milford Sound? What's that got to do with life? School was a game, I didn't know the rules and I was losing big time.

A new opportunity

Karen was at an interesting point in her life. She'd had a high-flying, high-profile career as a model and actress; she'd married a wealthy, well-known property developer and had three children with him. By any standard, you'd say it was a successful life. But as I got to know Karen, I discovered that the public image did not gel with the private reality.

The truth was her career as an actress and model was flailing and her finances were in disarray. She'd been ripped off badly by a manager and had not been paid for a large chunk of her work (including the *Playboy* centrefold). Her realtor husband was busy selling real estate in the city, so she was left to bring up three children and run a labour-intensive business that generated a lot of work for little return.

When Karen offered me a job, I said 'yes' instantly. It was a good fit for her and it was a great fit for me. I worked after school and on weekends and loved every second of it. It was fun, exciting and filled with interesting characters. From the kiosk window, I could see when a boat would arrive. I'd slide down the hand-rail in my board shorts and greet the guests at the wharf. I'd help them dock their boat, walk them up to the kiosk, sit them down, take their order and pour them a coffee.

While they enjoyed their meal, I'd clean their boat and stock it up with whatever they needed. When they departed, I'd give them tips on where to find the best fishing spots, the top swimming holes and the finest hiking trails. I was a veritable font of touristic knowledge!

At night, the kiosk turned into a fun palace. Yachties and their crews would hang out in the bar, play music, dance, eat, swim and party on until the sun came up. It was a fantastic way to spend the weekend—and I got paid to be there! For a hyperactive 15-year-old kid whose mum and dad weren't getting on that well at home, this was heaven.

As time went on and Karen could see that I was responsive, reliable and eager to learn, she gave me more responsibility. I hired staff, took care of the roster, ordered the food, designed the menu, balanced the books and managed the business. Karen increasingly turned to me for advice. I didn't know much about running a business but I gave her my honest opinion about what I thought, and to my amazement, she took much of what I said on board, and it worked.

Karen's belief in me helped me build my confidence at a time when I needed it most. Despite all the crap that was going on at home and school, I discovered that I had a positive energy; that I could anticipate people's needs and make them smile. I thought everyone had this ability but Karen helped me realise it was a unique trait, and a valuable asset. I am a naturally gregarious person, and I love being of service so this didn't even feel like work to me.

The business grew and I grew with it. Karen valued my involvement because she could take a much-needed breather from the physical rigours of running the business. I loved it because I got to hang out with adults who didn't treat me like an annoying kid. By the time I turned 16, I was the general manager of the store. People looked up to me. I was the manager, hiring and firing and managing the money. I was the boss! The power was intoxicating.

The big fail

Blending my two worlds of school and work was challenging. It was like I was living parallel lives.

By day, I was being bullied and beaten up by square-headed boys who didn't know their arse from their elbow.

By night, I was at the kiosk, managing a team of people, mingling with multimillionaires, handling tens of thousands of dollars and being treated with respect by people I admired.

This split life I was leading was confusing. It made me distrust the education system. If school was meant to be preparing me for life outside of school, why was life outside school easier than being at school?

School did not end well. I failed dismally. I got one of the lowest marks of the year level. It was humiliating. I desperately wanted to enrol in a degree in construction management but I just didn't get the marks I needed. I was pretty depressed about it and felt like a failure.

Mum and Dad were not happy with my school results either. They were tertiary educated, valued intellectual endeavour and did not want to see me 'waste' my life working as a waiter at the kiosk.

An offer too good to refuse

This failure forced me to recalibrate my goals and ask the question, 'What am I going to do with my life?' Mum was pretty smart about getting me motivated to do further study. She said, 'If you don't do further study, you have to pay rent. If you do further study, you don't have to pay rent.' This was an offer too good to refuse so I scoured the university guide to see what course would accept a high-school dropout. Nice move, Mum.

Meanwhile, Karen had introduced me to a man called Dan McKinnon. Dan owned the Cottage Point Inn, a five-star 'destination restaurant' for some of Sydney's wealthiest people. He gave me a job and trained me in the art of fine dining. This was a step up from the kiosk and I loved it. He taught me what it was to serve, put your ego aside, smile when you don't feel like it, drum up energy when you're tired, solve problems, make people feel good, ask incisive questions, think on your feet and deal with a wide range of people.

I loved the experience of working in this five-star dining restaurant so much, I enrolled in a two-year business diploma in hospitality at

Ryde TAFE. The course was a consolation prize really, but it served a number of purposes. It got Mum off my back, it got me free rent at home and it was the bridging course I needed to get into a proper university course.

I loved that course, and I was good at it. I did not skive off one class. I did not have one complaint from a teacher, tutor or patron. I went from flunking out in school to flying high at hospitality. It also taught me one of the most valuable lessons I have ever learned: how to turn every experience into a five-star encounter, even when the budget does not allow you to provide a five-star experience. It taught me how to imagine what a five-star version of something might look like and then work hard to offer that. Nowadays, no matter who I'm working with, or what I'm working on, the question I'm always asking is, 'What does the five-star version of this situation look like?' It has helped me find innovative solutions to seemingly intractable problems.

I learned more in my two years at the TAFE hospitality course than I did in 13 years of school. It was a formative experience. The course taught me how to be humble, to put my ego aside, deal elegantly with conflict, get to 'yes' and close the sale. It also taught me how to cook too: an essential life skill for all teenage boys! I think hospitality should be a compulsory high-school subject.

After completing this course and getting high distinctions all round, I was finally able to get into university. I enrolled in a Bachelor of Applied Science, which was also life changing, albeit in a different way. It taught me how to be a critical thinker, create systems and be methodical: all perfect qualities for my future business.

Looking back, I can see that the core principles I hold dear today—curiosity, empathy, friendliness—were instilled in me as a 15-year-old boy when I was trained, mentored and guided by some of the smartest, kindest people in the hospitality industry. These were guiding values that set me up for my next adventure and have served me well to this day.

If you fell ill
and couldn't
work,
how long
could your
business
survive?

Chapter 2

Why most small businesses fail

If you fell ill and couldn't work, how long could your business survive?

A month? A year? A decade?

For most business owners, the sad reality is their company would shrivel up and die within the week.

Why? Because they *are* the business. Without them, nothing happens. If they stop, so does the business. They are what's known as 'technicians'. The term is not a pejorative, but it's not a compliment either, especially if you want to build a business others want to buy.

A technician is the person who *does* the work. They are a visionary architect, a brilliant baker or a talented coach. They often have a large and loyal fanbase, win awards, get great feedback and have clients clamouring to work with them. And that's the problem: the clients clamour to work with *them*.

If you were to tell me you're in the Top 100 of your industry, I would say 'Congratulations!', but I would also say 'I'm so sorry' because that is not a position you want to occupy. Being good at what you do is part of the problem because your identity and ego are caught up in *delivering* the service when you should be focused on *building* the business.

If you want to build a business others want to buy, you need to move from being a 'technician' to becoming an 'owner' as quickly as you can. The strategy for moving into the 'owner zone' will challenge, confront and confound you. It will take considerable skill and application, but if you want to build a business others want to buy, you need to be much more than a technician and dramatically change the way you currently operate.

Why don't technicians build big businesses?

Michael Gerber popularised the 'technician' concept in his 1995 book, *The E-Myth*. This book influenced a generation of entrepreneurs. It certainly influenced me.

The 'E' refers to the word 'entrepreneur' and the title refers to the erroneous belief that an 'entrepreneur' is naturally gifted and equally good at doing the technical *and* the operational work of running a business.

The goal, as Gerber puts it, is to move through the three stages of being an entrepreneur and get to the 'owner zone' as quickly as you can. He identified the three stages of being an entrepreneur as:

1. technician
2. manager
3. owner.

Gerber posited the premise that if a technician doesn't or can't move into the owner zone, they will never get to build a sellable asset. Here's what each label means.

The technician

A technician is somebody who does the bulk of the work that brings in the revenue. They:

- make and sell the product or service
- design the systems and processes
- write the sales copy
- send the invoices and do the administration.

The manager

The manager 'manages' the people who do the work. They:

- turn the entrepreneur's vision into action
- directly manage tasks, projects or people
- keep the team accountable to the KPIs
- build the team, create the systems and provide structure and support.

The owner

The owner is the dreamer, the visionary, the 'big picture' thinker. They:

- create a compelling vision and motivate the team to bring it to life
- think of new ways to do things
- build partnerships and collaborations
- create assets to be exploited for profit.

A business owner often gets stuck in the technician zone, which can have a deeply negative impact on the business, but because the technician gets so rewarded for being good at what they do, they find it very difficult to break out of this zone. As such, they can spend up to 95 per cent of their time in this zone and 5 per cent in the owner zone,

when in fact the ratio should be reversed: they should be spending 5 per cent in the technician zone and 95 per cent in the owner zone.

Ultimately, going from technician to owner is a journey of building the people and the processes inherent in your organisation. A technician's first task is to find a manager to help them move out of the 'doing' zone and into the 'planning' zone. Without that manager, the entrepreneur has no hope of building a business that others want to buy.

THE TOP SIX LIMITING BELIEFS THAT STOP TECHNICIANS FROM BUILDING SUCCESSFUL BUSINESSES

When I started Simmat and Associates, I was the quintessential technician. I did everything. It took me a few years to cotton on to what being an owner meant, but once I did, I pursued that goal with gusto. If you are still a technician three years after starting your business, you're wallowing around on activities that will not get you the result you want. You need to move out of this zone *now*.

Here are my top 6 limiting beliefs that stop you from doing so.

Limiting belief #1

If I stop doing the work, I will lose control and I won't know what my team is doing.

It's scary not knowing what everyone is doing, but that's part and parcel of being an owner, and that's exactly what you *want* to happen.

You *need* to let go of the day-to-day minutiae and let your team focus on the execution of the plan.

You *need* to remove yourself so far from the daily operations that you couldn't manage it, even if you wanted to.

You *need* to set up the systems so that anyone can come into the team, read the manual, watch the video and do the task.

Your goal is to hire the right people, put the right systems in place and let the people run the systems. After all, what is a big business? It's just a small business with systems.

Limiting belief #2

I want to hire a team but I'm afraid they won't do as good a job as me.

This is classic technician talk:

- ◆ No-one is as good as me
- ◆ No-one can do the job like me
- ◆ No-one knows the client like I do
- ◆ Without me, the work won't get done.

There's a lot of ego embedded in these beliefs. Unless you're George Clooney or Lady Gaga (and even then), most people are replaceable. Never forget: the cemetery is filled with irreplaceable people. Don't fall into the trap of believing that no-one can do what you do. Have you ever noticed that when you lose an 'irreplaceable' person, their replacement is often better?

But even if they're not, if you hire well and train your team correctly there's no reason why they can't deliver to at least 80 per cent of your high standard. You will still be ahead of the game because you will have built a system that tells everyone what the acceptable standard is. This gives you the time and distance to help you spot errors and variations in quality before the work leaves the office.

Limiting belief #3

I love doing the technician work. It's why I started the business in the first place. I don't want to stop doing that.

You don't have to give up the technician work. If you follow the guidelines in this book, you can do more of it, on your terms, and get paid more for it. Your technical creativity can be codified. Think Andy Warhol and The Factory. He trained dozens of acolytes to create art in his distinctive style and sold each 'Warhol' artwork for millions of dollars.

Large-scale advertising agencies are adept at doing the same. They commodify their creativity by automating their briefing systems, which enables junior creatives to do the low-level grunt work while the 'superstar' creatives get the final edit (and credit) for what gets produced and put into the public domain.

Limiting belief #4

I don't like attending meetings. I like to be free and work to my own schedule.

I get it. You're creative, you march to the beat of your own drum, you're a free spirit; and to be told that you have to attend regular meetings with your team and clients, at times that may not suit you, makes you feel constrained and claustrophobic.

As a technician working solo, you get to call the shots as to when and how often you turn up, but you need to show up *a lot* just to make things tick. If that's what you want, then by all means, continue to pursue the false belief that being a technician gives you freedom. It gives you freedom to turn up when you want, but it doesn't give you the freedom to *not turn up at all*.

Conversely, a business owner committed to turning up on a regular basis for *a set period of time*, maybe five to seven years, will eventually never need to turn up *at all*—because they've sold the

business for millions of dollars. They're out on their boat, sipping Margaritas and swimming in the Maldives.

Meanwhile, you as the technician, the person who loves their 'freedom', still needs to turn up, again and again, *forever*. If that's your definition of 'freedom', by all means, continue to operate as a technician.

Limiting belief #5

I need to know how everything is done in case something breaks down and it needs to be fixed.

If you're the sort of person who says, 'Get out of my way, I'll fix this!' then you need to move towards being the person who *can't* fix it.

One billionaire business owner I know (who built his business from scratch) deliberately didn't learn how to update his website so that if he was ever called upon to do it, he couldn't, even if he wanted to. He knew it was a low-value task and that his time was better spent elsewhere.

Make it your mission to coach others to become an extension of you, and teach them how to be a team of world-class technicians so that you can focus on bigger, higher value tasks that make a difference.

Limiting belief #6

I don't identify as a leader. I don't want to be the 'boss' of other people.

The hard truth is it can be lonely at the top. It can feel isolating. These feelings come with the territory. That's why CEOs have their own clubs and networks. It's a unique position that brings with it a unique set of rewards and risks. Being an owner is not a popularity contest. You will make tough decisions that others don't like. Don't try to be best mates with your team. You pay their wages and that

creates a power imbalance. If you're lucky, some of your team may turn out to be good and loyal lifetime friends, but while they work for you, you will always be the boss and as such, you will never truly be 'one of the gang'.

If you spend all your resources of time, skill and money in the technician zone, you'll have a nice life, be good at what you do and win some awards, but you won't build a sellable asset.

If you want to build a business others want to buy, you need to change your mindset and start acting less like a technician and more like an owner.

UNLOCK THE SECRETS TO BUILDING A PROFITABLE BUSINESS

Looking to build a business that's successful and attractive to potential buyers? Want to avoid the common mistakes that sink so many promising start-ups? Then you need *How to Build a Business Others Want to Buy*, the ultimate guide to growing your business with an eye towards the future. Author Kobi Simmat is a seasoned entrepreneur and business coach who built and exited a business valued at over \$20 million. In this book, he shares insider tips and hard-won lessons for building a business that's not just profitable, but sellable.

With Kobi's help, you'll learn how to:

- create reliable streams of income
- turn your passion or hobby into a business that's primed for success
- build a world-class team that can take your company to the next level
- raise capital without sacrificing ownership
- identify the 21 metrics that make a business worth buying.

Whether you're an experienced business owner or just starting out, *How to Build a Business Others Want to Buy* is the ultimate roadmap to success. So why wait? Start building the business of your dreams today.

KOBI SIMMAT is a textbook example of what is possible when burning ambition meets hard work and self-education. He was the founder of Best Practice.biz, Australia's leading accreditation, recruitment, and business-coaching firm, a co-founder of MyNextPractice.com, is host of the popular podcast *Talking Business* and now advises globally as a business coach.

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