

Burnout

BY: DOUG ROBBINS



Burn out is an interesting problem and it comes in very many insidious forms.

We were approached by a chap I'll call Tom, who had just turned 45 years old. He had gone into business with his father some 15 years earlier when his father was 60. He said he wanted to [sell the business](#) in order to straighten up with his father; they owned the company on a 50/50 basis. His father was no longer active in the business, although he usually came in a couple of times a week.

As we looked at the company we found that the sales growth was a steady 14-18% growth, year over year; current revenues were approximately 15 million dollars and the profits were well in excess of a million dollars after paying wages to both the father and the son of \$150,000 each.

The business had a really unique product line in a niche market. Tom had the products manufactured offshore and shipped in bulk under their various trade names. They were then broken down into saleable units and packaged. They shipped orders received by three o'clock on the same day with delivery to most parts of North America the following day. Most of their customers believed that our client actually manufactured the products directly. They had negotiated extended terms of 60 days with most of their suppliers and turned their inventory on average 9 times per year. Most smaller orders were paid for by credit card at time of ordering, with large regular customers paying on average within 35 days. Gross margin was running about 42% on average; inventories were \$1,000,000; receivables were also hovering at around \$1,000,000; fixed assets were minimal, about \$250,000 at cost; book value was just over \$100,000; the real estate, a 25,000 square foot building on 1½ acres was owned joint tenancy by father and son. To use my son's favourite expression...a "**sweet**" business.

I could not understand why anyone, who started this business 15 years ago with very little, had just turned 45, had a business that was enjoying wonderful profits, and had fabulous growth, with no ending in sight for the continuation of rapid growth, would want to sell. I suspected that Tom was suffering from burnout and just wanted to get out of the business world, period.

After discussing this business and Tom thoroughly with our analysts and appraisers, we decided to bring in an [industrial/vocational psychologist to interview and test](#) Tom. They spent the better part of a day together. Our psychologist put Tom through a battery of tests, and concluded he was not only burned out, but close to a breakdown.

When it came time to present the results of our [comprehensive business analysis report](#) I insisted that Tom bring both his wife and his father to the meeting. Obviously his father, because he was 50% owner; but also his wife because she owned half of whatever Tom did. We felt that both father and wife would be very interested in the doctor's comments and his report. Also, at the meeting were our analyst, our valuator and our psychologist.

The presentation took about 1½ hours to cover all the details that are normally covered, including [5 different valuation models](#) and our conclusion as to what the business was currently worth, and how long it would take to sell it. He seemed O.K. with most of what we had to say, but was somewhat disappointed in the value.

However, I indicated to him that before he made the decision to take the business to market, he needed to take a vacation of least 3 weeks of totally isolated, uninterrupted solitude, with no access to Internet or telephone or his business in any way.

Tom vigorously responded to us that he couldn't possibly do that. "*I couldn't get away for more than a couple of hours at a time*" was his comment.

I asked him what would happen if he got sick or had a heart attack or had an accident, just how would the business operate without him and who could run the business. He pondered for a few minutes and said, "*Well, I guess my dad would have to come in and operate the business until I got better.*"

I looked at his dad and I asked, "*Could you/would you be willing to come in and operate the business for the next 3 or 4 weeks to give your son an opportunity to recover from the burnout that he is currently suffering?*" Without hesitation, his father said, "**Absolutely**, when do you want me to start?"

I then turned to Tom's wife and said, "*Could you find a place to take him where there is no telephone and no Internet?*" Her eyes sparkled and she said, "**Try me.**" I indicated to the client that until such time as he had taken this vacation I was not prepared to consider taking his business to market.

About 6 weeks later he called and thanked us profusely for forcing him to take the trip away. He managed to get away for only 2½ weeks, but during that time he had an opportunity to rest, recover, recuperate and relocate his passion for the business. He really didn't want to sell the company.

My clues to this situation were that I recognized there was no need to settle the estate with the father. The father was drawing approximately \$150,000 per year of base wage, his net worth was increasing by about half a million dollars a year, and he wasn't working at the business. He had no need to have his affairs settled. The "settling up with Dad" became a smoke screen for Tom to use, to get out from the pressures of business.

Three years later, the sales of the business had continued to grow at the rate of 14-18% a year. Profits were now exceeding \$2,000,000 per year, and Tom and his wife were getting away on average 4 weeks per year, one week at a time. Dad's role expanded somewhat and he focussed on training others within the business to take over some of Tom's responsibilities.

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