

Leif Jensen and Associates

Growth

There is an old business saying, "If you are not growing, you are dying". In many regards this saying is correct.

All businesses are trying to grow. Even those who want to only maintain their current status need new clients to replace those who fall off; either through leaving, closing shop or outright dying. New clients to replace those are necessary just to tread water.

During planning sessions with clients on where the business should be going, we typically find that they are in need of branching out into different companies to allow the first to retain its focus and mission. The new companies will need different skill sets, employees, mission statement, business plans, and the need for new metrics for measuring performance.

Recently, three companies found themselves in this situation and are now in the process of expanding their empires. They are a design firm, a manufacturer and a transportation company.

The **design firm** has spent the last few years building its foundation, and has been able to utilize that foundation to experience phenomenal growth. During our discussion, the designer found that while having relative faith in his outsourced partners, they lack the creative ability to exceed his expectations. This is a cause for concern, since the designer expects to "wow" all of his clients with the final product and is disheartened when on those few times it does not happen. I suggested the possibility of doing it himself, this way his single vision can be fulfilled throughout the entire process. He does not need to be the "hands on" person, but can glance over shoulders with suggestions, like Disney, Lee and Lucas have done.

He has ventured forth beyond the Design business and has formed his animation unit. This company will be responsible for the all animation and gaming products. I believe that there are four other businesses already in the initial planning stages.

The **manufacturing company** is planning for its future. Since most its employees have been with the company for years and business has plateaued, we decided that it was time to start looking at the business with a different perspective.

The owner has been developing a patent for a few years now. I inquired as to whom will own the patent once it's finished. After pausing for a moment, the answer was the company. I asked why, because he basically was creating it on his own time. He may have been using some of the company's resources for testing, but he owned the company.

I suggested that they consider creating an R&D company to develop and hold the patent.

The patent could then be licensed beyond the immediate company. Competitors may be more willing to pay royalties to an R&D company than a competitor. Also, this way if he eventually sells the company he can still have revenue from the royalty income.

Further into our discussions it has been raised that there may soon be the need for a larger space. We discussed as to what they will need as far as space, location, amenities, etc. Since they are currently renting, I suggested that they look into purchasing a building. If they were to purchase a building the prudent thing would be to have a mortgage. Allowing cash flow to remain flowing verses all tied into a non-liquid asset. I suggested creating an LLC to hold the mortgage, and possibly a Finance Company to hold any loans to the company.

The **transportation company** has been forced to choose between being a "Carrier" or a "Brokerage" firm. They have chosen "Brokerage" and have started the process of creating a new company for the "Carrier" component.

This split off, while mandated by their insurance company, has provided additional insight into how to look at the company moving forward. They are also using this as a transition point for the changing of ownership. The current owner will transition into a retired owner's position as the next generation will be taking over.

This is another company that has been renting for years. Once the "Brokerage" and "Carrier" components are completed and working smoothly, they may be looking for a space to call their own. They also know that an LLC will be necessary and loved the idea of the Finance Company to control all loans to all companies.

While I have glossed over most of the details of the discussions and truncated timelines a bit, these are the types of discussions that we typically have with all of our clients. We are consulting with them so that they know who they are, where they have been and where they want to be going. We work with them through the whole process, working directly with their attorneys, financial advisors, bankers and realtors. I personally have gone to view properties with clients to assist them. We are committed to assisting our clients in order to meet and exceed all of their goals.

Sincerely,

Leif Jensen
Leif Jensen and Associates, Ltd.
www.leifjensenassoc.com
(847) 690-9454

1881 Commerce Drive, Suite 105
Elk Grove Village, IL 60007

See what's happening on our social sites



