

selves. Harnessing the emotions pays off in dollars and cents. It also pays off with a happier world.

11. Do the Right Thing. (This section is inspired by the 1989 movie of the same title.) In a sense, doing the right thing involves harnessing the emotions as in Tip 10 but is treated here as a special case because harnessing, with all of its benefits, is not the intent; doing the right thing is. The right thing is not necessarily the morally right thing, although it may be, or the more productive thing, although it may be that too. It is simply doing one's part in a kinder, gentler world.

In the movie, an Italian-American white man owns and operates a restaurant in a mostly black neighborhood with mostly black customers. The pictures decorating the walls are all of Italian-American heroes, Joe DiMaggio and so forth. One black customer asks why, in a restaurant with so many black customers, can't they have some black heroes on the walls, Nelson Mandela and so forth. The owner, irritated by the proposal, tells the customer he should get his own restaurant and then he can decorate the walls any way he pleases. Another black customer always carries a radio playing rap music. The owner can't stand it and he tells the customer to shut that thing off and keep it off.

To the script-writer's credit, the story is complex, with cross-currents of emotional forces making the right things to do less than crystal clear, and perhaps even debatable (and making this brief account of the movie over-simplified). In any case, the owner made good pizza which won the customers' patronage, but he failed to do the right things and he never won their hearts. The story ends with disaster.

After the author saw that movie, he was amazed at how true to life it was and that he could name several examples in the world of small business where the difference between doing the right thing and not doing it made the difference between joy and misery. Three of those examples are offered here. If any of these examples seem hard to believe, the reader is reminded that, as mentioned in the Preface, every one of the real-life examples in this book actually happened, just as they are herein described with only enough

disguise to assure confidentiality.

Example 12.1 A small restaurant is operated by an owner and his son, with one part-time employee. Nothing about the food makes one wish to eat there a second time and nothing about the decor makes one wish to eat there the first time. This restaurant would not survive in a competitive market. But, being institutional, the customers are somewhat captive and the restaurant makes a good profit. Still, a sizeable potential profit escapes the owner. The restaurant is so unappealing that most of the institutional employees are openly antagonistic and assiduously avoid the place. One describes the decor as “early penitentiary.” Another explains the ways in which they avoid it: “Most of the people in my department drive to nearby eateries while the rest of us”—here she refers to an item on the menu board of soup du jour—“the rest of us dine on brown bag du jour.”

The profit nevertheless is so good and so well invested by the owner that, after twelve years in the business, the owner buys a second restaurant with twelve employees and about nine times the revenues of the first. The owner pays \$700,000 for the business, including the real estate. The son is left to manage the old restaurant while the father takes over the new. The new restaurant is more or less the same type as the old but is not institutional and has several extremely sharp competitors within a three-mile radius.

During the first two days of new ownership, several changes are made. Portions are reduced and prices increased. The employees still may consume all the soda pop, tea, or coffee they desire, but now they must pay for it. Needless to say, the crash begins immediately. Sales plummet from day one, the kitchen manager defects within six weeks (the best employees are almost always the first to go) and the new owner is forced to shut the doors within four months.

Note that this owner did not have to buy a new restaurant to make more money. He could have improved sales and earnings with just a few thousand dollars invested by putting a fresh coat of paint on the walls of the old restaurant, dropping the ceiling, hanging professionally framed pictures on the walls, adding a few potted plants, putting an employee up front with a pleasant expression on his or her face and then—dare one say it—*increasing* the portions, with free desserts on Mondays. In other words, if he had just treated the customers in either restaurant as though he cared about their enjoyment, he would have thrived in the first and he might have survived in the second.

(After the strong stand in favor of bank financing repeated in this book any number of times, the author is embarrassed to admit that the purchase in Example 12.1 was mostly financed by a bank. The details are unknown but one has to suspect that the loan officer never bothered to inspect the old restaurant before approving the loan. If he had just stuck his head inside the front door, he would have seen all that needed to be seen to reject the loan.)

Example 12.2 A business broker, new in the trade, makes prospecting calls to tavern owners to build his inventory of listings. One tavern owner thanks the broker for calling but states that he plans to spend the rest of his life right where he is and he therefore has no interest in selling. The broker compliments the owner by saying that he envies him with his life so comfortably settled. (The reader is assured that the compliment was sincere.) They exchange further brief pleasantries and are about to say goodbye when the owner asks if the broker would be interested in listing a piece of real estate about 75 miles down state. The business broker replies that he would not be able to service a listing so distant but that he knows a real estate broker who could handle it and who would do a good job. The owner gives the broker his name and a brief description of the property, then adds that it should sell for about \$550,000. The broker thanks the owner and they say goodbye.

The next day, the business broker calls his colleague, who is delighted to receive the opportunity for such an attractive listing. The following conversation ensues:

Real estate broker: What do you want for this listing?

Business broker: What do you mean?

REB: I mean what do you want out of this?

BB: Just serve the client well.

REB: I mean what do you personally want out of it?

BB: I don't want anything except that you serve the client.

REB: You don't want anything?

BB: Well, you can buy me a cup of coffee after you close the sale and then you can tell me all about it.

REB: You trust me, so I'll trust you.

The real estate broker then describes a listing that he wanted to get but which was rejected by his manager for a technical reason. (The reason was that the landlord would not agree to pay the brokerage firm a commission for placing a tenant.) The real estate broker feels that the business is attractive and would bring a nice commission even without getting anything from the landlord but, he further explains, "I'm not the boss here so I have to let it go.

It's yours to try to get if you want it." Then he gives the business broker the owner's name and number and adds that the listing price will be \$550,000. The business broker does get the listing and he makes the sale as described in Example 10.1.

Example 12.3 A broker is in his office one day when the telephone rings. It is an accountant wanting to set an appointment to go over some cash-flow projections for a business he is buying. They meet in the broker's office and it is clear after 15 or 20 minutes that the accountant knows what he is doing. He is also personable. Then they start chatting. The business is a small manufacturer with a well-established product line. The broker states that this is just the kind of business that buyers clamor for but never seem to be able to find. He adds that he could probably sell one every month if only he could get his hands on them and he wonders how this young accountant—he doesn't look a day over 30—came across it.

The accountant tells the following story: A few years ago, the owner ran an ad for a CPA to become the company accountant. I didn't have much experience but I applied anyway and got the job. After I'd been there a few weeks, I noticed this older man who was sort of the low person in the company. He would run errands, distribute the mail, drive the owner around town, and do more or less whatever was asked of him. Even though he got around, he didn't seem to have any friends. The other employees didn't shun him; they just didn't go up to him and he didn't seem to bother going up to them. One day I said hello and he said hello back. We chatted a bit and he didn't reject me so I started trying to go by his desk every day just to say hello or good morning. After a while, we would have a soda together and sometimes even go to lunch. It wasn't anything special but it was all right and he seemed to like it.

One day about a month ago, the owner called me into his of-

rice and closed the door. He asked me if I would like to buy the company. I was so surprised. I said that I couldn't afford it. But the owner said back to me, I didn't ask you if you could afford it. I asked you if you would like to buy it. I said, well, it would be nice but I still couldn't afford it. He said yes you can. It's time for me to retire—he's in his seventies—and I need someone to take over. We'll set a price, you don't need anything down, you take the title, and the company generates enough cash flow for you to make the payments. I told him that I liked it but that I was stunned. Why me when he could so easily get somebody to pay cash?

Then the owner told me the following story: I was an officer during World War II with enough rank to command an orderly. When the war ended, I started this company and, knowing that my orderly—who wasn't very adept—would need a job, I asked him to come along. During the war and all the years with this company, this man has been trustworthy and loyal. He's dear to me and you're the only one who ever offered him friendship. Now you know why I want you to own this company.

And now the reader knows why it is not a bad idea to do the right thing.

QUESTIONS FOR DISCUSSION

Chapter 12—Closing

1. Name the phases in which closing occurs, and summarize their activities.
2. Why are most sales of assets rather than of corporate stock?
3. Approximately how many documents are required to close a sale of assets?
4. Who should attend inventory valuation?
5. What is a common post-closing activity, and why?