



## **Giving up Equity and Profit Sharing within your company!** **By Robert Raymond, CPT**

“All business owners have a day when they must decide if they are going to give up equity or profit sharing within the company to grow it! Is that time here for you?”

There always becomes a time within being a company owner when you feel someone within your organization or maybe even someone from the outside is deserving of equity, ownership or some sort of profit sharing.

When this occurs it is very important that you have spent a lot of time with that individual and you have complete loyalty. Loyalty is defined on many levels. Level 1 is are they someone you want around your company for the next 25 years, do they understand that the company comes first and in these positions sometimes they must go above and beyond the call of duty for the company.

Do they understand that whatever situations pop up during there personal life needs to be adapted too within the business lives of us all? Do not give a equity or profit sharing situation to someone who does not have the strength to adapt to situations.

Do they understand that the success of the company in some situation is based upon there results which includes there income. If they are not successful within there job they don't earn as much money where on the other side if they are successful they can not just do very well but they can get rich in a equity or profit sharing situation.

Do they understand that this is for the long-Term and they must dedicate to it? Most profit sharing jobs and equity positions do not include very much if any guaranteed money. It includes opportunity which is directed towards becoming successful within your career over the term of the company.

Company success = your success is how this needs to be explained. The dedication must be set forth for this opportunity.

Do they understand they must become the company and make decisions on a daily basis that positively affect the company?

Do they understand their business plan and this is your job as the business owner to make sure they do? It is imperative they understand and follow the model because everything we do within business is progressive and requires continuous growth to succeed.

Do they understand they will go through rough times, great times and stressful times that will lead towards the overall goal which is to become a successful professional, individual and financially independent? Success should be defined by each equity owner or person receiving a profit sharing at the beginning of their term giving them short and long-term goals. It is then this person's job to go out and get those goals with your help. It is not your job as the owner to do it for them but it is your job to give opportunity and direction.

Do they understand that the business model is going to be built around professionals like them becoming successful and if they do not become successful the company suffers?

Do they understand that this is a career opportunity and not just a job! Have them add up the equity or profit sharing they will obtain if the division or business is doing (x) amount of dollars.

Do they understand that every day in any business is a learning process for both parties and new exciting things should be incorporated on a daily basis?

Do they understand that as with any business the officers of the company are not profitable and earning the income deserved until the company is profitable? That's called ownerships! If you put a person in a position of equity or profit sharing they should know the books and understand their profit points. This gains honesty, loyalty and allows you to set better goals based upon department or company totals.

As the company owner when you decide to offer someone profit sharing it should be done on a couple levels.

Level 1 should be within a department. So, if John Doe is running a corporate department you might want to offer them 10% profit sharing. So, if you take \$15 a session and do 1000 sessions in a month within this division they get 10% of the \$15 per session.

Level 2 should be within company. So, if Jane Doe has incredible skills, has been very productive and can be a huge asset to you for the long term they should move into a situation where they get profit sharing based upon not just the department they run but based upon the overall profit of the company.

Defining People: It is very important you are able to define what a person is about when they go into one of these positions and you must develop and help them grow professional and financially.

Changes happen but should not happen within equity ownership and profit sharing partners- Find out what the person is all about! In Denver I have recently had a situation

where one of our people who has been earning profit sharing, growing nicely, and earning a salary has had a life changing situation and basically panicked feeling they were not able to make it anymore and was considering a 9-5 job. Sometimes people panic and it's our job to help them through it and see the light.

First, as the business owner you must determine if this person is worth long-term growth within your company. Is this a situation where they are panicked or is it a situation where they are not loyal to there business model and plan. If you determine the situation is a panicked situation you must work with them to make the situation work and they must work with you to be 100% about the company as they committed too.

Next, you must determine how you can help them. Owning a business is not just about having people earn money while working for you and doing jobs you give to them. It is about helping your top people get through situation if it's mentally or in other ways. Providing this forum for equity owners is a must.

They also have to understand if there is a financial arrangement to help them they must make that financial arrangement worth it to the company. If it is support they need you must help provide that as well without making decisions for them.

When you are determining if they are worth it you must not go on friendship or if you like them. You must make a qualified business decision without emotions. Do you see them being successful in 6 months, 6 years and 20 years from now? If the answer is yes, you need to work to help them through the situation without causing harm to the company. If it is No, you need to learn how to cut your loses and move on quickly. Within equity and profit sharing spots there is a line of professionals out there waiting for the opportunity. It is sometimes difficult to find them but that effort must be put forth in a situation as such.

This situation also can include situations where the person in the profit sharing or equity position does not have the necessary support at home or within others which are very necessary. Sometimes it is difficult for a wife or husband to see the long-term professional and financial gains that are coming within the business plan and they can cause harm.

If this is the case it is important to gain that support. Many business owners (as most of you know) have spent years growing the business and it's all based on a progressive plan, and dedication to a system. Success does not happen immediately within most situations in the start-up or the initial stages of any business. Of coarse it is not the business owner's responsibility to do this but it is the owner's responsibility to make sure all situations in each person involving ownership or profit sharing has positive influences. If they don't them wont be successful and they will be limited in what they can accomplish.

In this situation you have to keep your distance but mentor the business partner properly and make sure the equity owner or profit sharing person is in a spot they can become successful.

As a business owner it is very important that you only offer profit sharing and or long-term equity within your company to qualified individuals who will dedicate their professional career to your company. This should only be available to someone you trust, believe in and expect to be around for the long-term. The average life for an employee with any company is 5-years. The average life for someone earning company equity or profit sharing is usually life until they retire.

Take a look at any employee with a board of director position earning equity or profit sharing within most any large corporation you will understand the power of developing this team not just for yourself but for them. If today I had 1% ownership of a company such as Qwest, Norwest, 24 hour fitness, Wal-Mart or most any large corporation I would be a multi millionaire many times over. This is the opportunity you are offering!

You hear stories all the time of in the old days the guy who came up through the mail room from the age of 21 and is now President of Sales 15 years later with 1.5% equity ownership and the company is worth 753 million dollars and has a huge position of wealth.

This equity creates them a monthly salary in the millions range and also guarantees them a buyout or retirement account in the end worth millions.

This is the goal of any profit sharing or equity position! Only give them to deserving individuals who are about everything discussed in this reading. It is important they understand that if they complete there goals and tasks they will earn every penny they deserve and have even more opportunity.

It is your job as the business owner to supply this function within your company. Your company will not grow to the heights you deserve without it. I expect and know all my people who have positions of equity and profit sharing in the company will earn huge dividends one day. That days is dependent upon the success of each individual in our organization. It is my job to make sure each individual becomes successful or move on quickly if they don't to someone who will.

In Denver I feel my organization is stronger then ever today and growing progressively. You must feel the same way about your business. If you have any questions feel free to contact me as I am willing to help and offer my support.

I say it time after time: Team-Work Makes the Dream-Work!

Yours in fitness,

Robert Raymond, President  
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