

## Opportunity or Distraction - you decide

I'm sometimes surprised to get random phone calls asking my opinion on the merits of joint ventures, commercial property or other options. The fact that people are enquiring about these is fully expected but the response when I ask what they are really trying to achieve can be disarmingly vague.

My instinct with questions like these is to enquire what the Business Plan says about each option. After all, one would assume that those serious about their future will have a plan - as much to identify what they should be striving for as to confirm what they should avoid.

I'm convinced a business plan that reflects who you are, what you stand for and what you need to succeed is fundamental to success. One reason is that clearly defined targets for personal, business and career success will quickly eliminate options that will not deliver expectations. Lack of shared vision between business partners or, even worse, failure to ever discuss this usually results in a constant rollercoaster as each day new ways of doing business appear on the radar.

### Values & Motivation

I have ample evidence from my own and my clients businesses that a clear link between values and opportunity selection really adds rocket fuel to progress. Vision for location and lifestyle, choices between operational and managerial roles, business size, return on investment, marketing and promotion, succession and superannuation should all be driven by a clear view on who you want to **be** so your business can deliver what you want to **have**.

Too often I see business owners unhappy as they become trapped in a role they never applied for. Yet responsibility for this lies with those who grew the business! If it has grown in a way that restricts the benefits you want from life then only you as owners can reverse this and restore some balance.

Consequently I have little sympathy for those who find themselves working unsustainable hours, lacking job satisfaction or under constant financial pressure. These largely result from choices that would not have matched a credible business plan. The difference is having a business as your master rather than your servant.

### What is a meaningful investment?

The second factor is the temptation to invest in roles that have the right title but don't have the right substance. In particular I am concerned that the modest level of investment contemplated by some as they enter joint venture partnerships. This can especially apply to managing partners who take a low level of ownership while accepting responsibility for its total physical management. When these opportunities are analysed, it is often evident they simply represent a minor investment in a major business that will be dominated by other shareholders.

The concerns I have are firstly that while it is easy to enter such an arrangement, it can be very difficult to get out. Key to investment in joint ventures should be the ease of exit and capacity to capture capital growth. This is often not possible with minor shareholdings. A good rule of thumb is when buying you should think like the person you expect to eventually sell your share to.

The second challenge is balancing cash returns and capital growth. I see some move to a joint venture investment too early in their career. While it is accepted it has been very hard to achieve trading profits that compete with recent capital growth from property, the balance between trading investments and property needs to be maintained so the rate of growth is maximised.

A move to a joint venture is almost certain to slow the total return on capital when compared to alternatives such as 50:50 sharemilking. A combination of both often provides the best wealth creation results as one can be used to fund the borrowing on another.

As the old saying goes "unless you know where you are going any road will take you there". Make sure you focus on direction - not drifting. Look forward to the satisfaction of a personal and business life that truly reflects; "**who you are, what you stand for and what you need to succeed**".

**Kerry Ryan is an Agribusiness Consultant, Speaker and Author of "Business Planning for Farmers". You can contact him at [www.kerryryan.co.nz](http://www.kerryryan.co.nz)**