CHAPTER 1

The Story of Steve and Peggy

Michael E. Gerber

You leave home to seek your fortune and, when you get it, you go home and share it with your family.

—Anita Baker

Every business is a family business. To ignore this truth is to court disaster.

I don't care whether or not family members actually work in the business. Whatever their relationship with the business, every member of an accountant's family will be greatly affected by the decisions an accountant makes about the business. There's just no way around it.

Unfortunately, like most service professionals, accountants tend to compartmentalize their lives. They view their practice as a profession—what they do—and therefore it's none of their family's business.

"This has nothing to do with you," says the accountant to his wife, with blind conviction. "I leave work at the office and family at home."

And with equal conviction, I say, "Not true!"

In actuality, your family and your accounting practice are inextricably linked to each other. What's happening in your practice is also happening at home. Consider the following statements and ask yourself whether each is true:

- If you're angry at work, you're also angry at home.
- If you're out of control in your accounting practice, you're equally out of control at home.
- If you're having trouble with money in your practice, you're also having trouble with money at home.
- If you have communication problems in your practice, you're also having communication problems at home.
- If you don't trust in your practice, you don't trust at home.
- If you're secretive in your practice, you're equally secretive at home.

And you're paying a huge price for it!

The truth is that your practice and your family are one—and you're the link. Or you should be. Because if you try to keep your practice and your family apart, if your practice and your family are strangers, you will effectively create two separate worlds that can never wholeheartedly serve each other. Two worlds that split each other apart.

Let me tell you the story of Steve and Peggy Walsh.

The Walshes first met in college. Before long, they found themselves attending a cram session to study for the CPA exam, Steve pursuing public accounting and Peggy auditing. When their project discussions started to wander beyond federal tax laws and cost accounting into their personal lives, they discovered they had a lot in common. By the end of the course, they weren't just talking in class; they were talking on the phone every night . . . and *not* about depreciation schedules.

Steve thought Peggy was absolutely brilliant, and Peggy considered Steve the most passionate man she knew. It wasn't long before they were engaged and planning their future together. A week after graduation, they were married in a lovely garden ceremony in Peggy's childhood home.

While the two completed their post-graduate studies, they worked hard to keep their finances afloat. They worked long hours and studied constantly; they were often exhausted and struggled to make ends meet. But through it all, they were committed to what they were doing and to each other.

After passing the CPA exam, Steve became an associate in a busy regional accounting firm; Peggy began working in a large, publicly held technology company. Soon afterward, the couple had their first son, and Peggy decided to take a leave of absence to be with him. Those were good years. Steve and Peggy loved each other very much, were active members in their church, participated in community organizations, and spent quality time together. The Walshes considered themselves one of the most fortunate families they knew.

But work became troublesome. Steve grew increasingly frustrated with the way the practice was run. "I want to go into business for myself," he announced one night at the dinner table. "I want to start my own practice."

Steve and Peggy spent many nights talking about the move. Was it something they could afford? Did Steve really have the business and marketing skills necessary to make an accounting practice a success? Were there enough clients to go around? What impact would such a move have on Peggy's career at the company to which she intended to return, on their lifestyle, their son, their relationship? They asked all the questions they thought they needed to answer before Steve went into business for himself . . . but they never really drew up a concrete plan.

Finally, tired of talking and confident he could handle whatever he might face, Steve committed to starting his own accounting practice. Because she loved and supported him, Peggy agreed, offering her own commitment to help in any way she could. So Steve quit his job, took out a second mortgage on their home, and leased a small office nearby.

In the beginning, things went well. A building boom had hit the town, and new families were pouring into the area. Steve had no trouble getting new clients. His practice expanded, quickly outgrowing his office.

Within a year, Steve had employed an office manager, Clarissa, to run the front desk and handle the administrative side of the business. He also hired a staff accountant, Tim, to handle the client work. Steve was ecstatic with the progress his young practice had made. He celebrated by taking his wife and son on vacation to Italy.

Of course, managing a business was more complicated and time-consuming than working for someone else. Not only did Steve supervise all the jobs Clarissa and Tim did, but he was continually looking for work to keep everyone busy. When he wasn't scanning journals of accounting publications to stay abreast of what was going on in the field or fulfilling continuing education requirements to stay current on the latest best practices, he was wading through client paperwork, or speaking with Internal Revenue Service (IRS) agents (which often degenerated into *arguing* with the IRS). He also found himself spending more and more time on the telephone dealing with client complaints and nurturing relationships.

As the months went by and more and more clients came through the door, Steve had to spend even more time just trying to keep his head above water.

By the end of its second year, the practice, now employing two full-time and two part-time people, had moved to a larger office downtown. The demands on Steve's time grew with the practice.

He began leaving home earlier in the morning, returning home later at night. He drank more. He rarely saw his son. For the most part, Steve was resigned to the problem. He saw the hard work as essential to building the "sweat equity" he had long heard about.

Money was also becoming a problem for Steve. Although the practice was growing like crazy, money always seemed scarce when it was really needed. He had discovered that many of his clients were often slow to pay, figuring that their accountant wasn't going to squawk. When they did pay, they often cut his fee.

When Steve had worked for somebody else, he had been paid twice a month. In his own practice, he often had to wait to get paid—sometimes for months. He was still owed money on client work he had completed more than 90 days before.

Complaints to late-paying clients fell on deaf ears. They would assure him that cash flow would improve and promise to do their best to budget a paydown of their obligation. Of course, no matter how slowly Steve got paid, he still had to pay *his* people. This became a relentless problem. Steve often felt like a juggler dancing on a tightrope. A fire burned in his stomach day and night.

To make matters worse, Steve began to feel that Peggy was insensitive to his troubles—not that he often talked to his wife about the practice. "Business is business" was Steve's mantra. "It's my responsibility to handle things at the office," he thought, "and Peggy's responsibility to take care of her own job and the family."

Peggy herself was working late hours at her firm, and they'd brought in a nanny to help with their son. Steve couldn't help but notice that his wife seemed resentful, and her apparent lack of understanding baffled him. Didn't she see that he had a practice to take care of? That he was doing it all for his family? Apparently not.

As time went on, Steve became even more consumed and frustrated by his practice. When he went off on his own, he remembered saying, "I don't like people telling me what to do." But people were *still* telling him what to do. On one particularly frustrating morning, his office had to get a last-minute pro forma out the door for a client acquisition. After holding for 25 minutes, Steve learned that his client had passed on the opportunity the previous day. Steve was furious, but he couldn't take out his upset on the client, or on his team, so he just bottled it up inside.

Not surprisingly, Peggy grew more frustrated by her husband's lack of communication. She cut back on her own hours at the firm to focus on their family, but her husband still never seemed to be around. Their relationship grew tense and strained. The rare moments they *were* together were more often than not peppered by long silences—a far cry from the heartfelt conversations that had characterized their relationship's early days when they'd talk into the wee hours of the morning.

Meanwhile, Tim, the staff accountant, was also becoming a problem for Steve. Tim never seemed to have the financial information Steve needed to make decisions about payroll, client work, and general operating expenses, let alone how much money was available for Steve and Peggy's living expenses.

When questioned, Tim would shift his gaze to his feet and say, "Listen, Steve, I've got a lot more to do around here than you can imagine. It'll take a little more time. Just don't press me, okay?"

Overwhelmed by his own work, Steve usually backed off. The last thing Steve wanted was to upset Tim and have to do the books himself. He could also empathize with what Tim was going through, given the practice's growth over the past year.

Late at night in his office, Steve would sometimes recall his first years out of school. He missed the simple life he and his family had shared. Then, as quickly as the thoughts came, they would vanish. He had work to do and no time for daydreaming. "Having my own practice is a great thing," he would remind himself. "I simply have to apply myself, as I did in school, and get on with the job. I have to work as hard as I always have when something needed to get done."

Steve began to live most of his life inside his head. He began to distrust his people. They never seemed to work hard enough or to care about his practice as much as he did. If he wanted to go get something done, he usually had to do it himself.

Then one day, the office manager, Clarissa, quit in a huff, frustrated by the amount of work that her boss was demanding of her. Steve was left with a desk full of papers and a telephone that wouldn't stop ringing.

Clueless about the work Clarissa had done, Steve was overwhelmed by having to pick up the pieces of a job he didn't understand. His world turned upside down. He felt like a stranger in his own practice.

Why had he been such a fool? Why hadn't he taken the time to learn what Clarissa did in the office? Why had he waited until now?

Ever the trouper, Steve plowed into Clarissa's job with everything he could muster. What he found shocked him. Clarissa's work space was a disaster area! Her desk drawers were a jumble of papers, coins, pens, pencils, rubber bands, envelopes, business cards, fee slips, eyedrops, and candy.

"What was she thinking?" Steve asked, astonished.

When he got home that night, even later than usual, he got into a shouting match with Peggy. He settled it by storming out of the house. Didn't anybody understand him? Didn't anybody care what he was going through?

He returned home only when he was sure Peggy was asleep. He slept on the couch and left early in the morning, before anyone was awake. He was in no mood for questions or arguments.

What lessons can we draw from Steve and Peggy's story? I've said it once and I'll say it again: *Every business is a family business*. Your business profoundly touches each member of your family, even if they never set foot inside your office. Every business either gives to the family or takes from the family, just as individual family members do.

If the business takes, the family is always first to pay the price.

In order for Steve to free himself from the prison he created, he would first have to admit his vulnerability. He would have to confess to himself and his family that he really doesn't know enough about his own practice and how to grow it.

Steve tried to do it all himself. Had he succeeded, had the practice supported his family in the style he imagined, he would have burst with pride. Instead, Steve unwittingly isolated himself, thereby achieving the exact opposite of what he sought.

He destroyed his life—and his family's life along with it.

Repeat after me: *Every business is a family business.*

Are you like Steve? I believe that all accountants share a common soul with him. You must learn that a business is only a business. It is not your life. But it is also true that your business can have a profoundly negative impact on your life unless you learn how to conduct it differently than most accountants do—and definitely differently than Steve did.

Steve's accounting practice could have served his and his family's life. But for that to happen, he would have had to learn how to master his practice in a way that was completely foreign to him.

Instead, Steve's practice consumed him. Because he lacked a true understanding of the essential strategic thinking that would have allowed him to create something unique, Steve and his family were doomed from day one.

This book contains the secrets that Steve should have known. If you follow in Steve's footsteps, prepare to have your life and business fall apart. But if you apply the principles we'll discuss here, you can avoid a similar fate.

Let's start with the subject of *money*. But, before we do, let's listen to the accountant's view of the story I just told you. Let's talk with Darren Root about how it's your story to write.