Announcer (5s):

Welcome to the maximize business value podcast. This podcast is brought to you by mastery partners, where our mission is to equip business owners, to maximize business value so they can transition their business on their terms. Our mission was born from the lessons we've learned from over 100 business transactions, which fuels our desire to share our experiences and wisdom. So you can succeed. Now, here's your host, the CEO of mastery partners, Tom Bronson!

Dave Casey (36s):

Hi, this is Dave Casey. Welcome to maximize business value podcast for business leaders, passionate about growing their business and building sustainable value. You may recall that I've been on the maximize business value podcast before talking about my own exit as a part of the 17% club, as you know, and you may be wondering why I'm sitting in the host chair today. Well, we want to wrap up this series of the way we wrapped up the last one. And that's by interviewing maximize business value podcast leader, Tom Bronson on one of his own business exits.

Dave Casey (1m 17s):

This episode is part of a series called tales from the 17% club is Tom is a his want to or to remind us from time to time, 83% of attempted business transactions fail only 17% are successful, and that's, that's really an abysmal number. So in this series, we interviewed people who have made an exit and we call them the 17% club. And we want to hear more about the process of that and how that works out. So in this episode, I want to welcome our guest, Tom Bronson, president mastery partners, and the host of maximize business value. Welcome Tom.

Tom Bronson (1m 57s):

Hey, thank you, Dave. It's sort of a surreal experience to be welcomed onto my own podcast. This is the second time we've done this. So I'm excited to hear what you're going to want to talk about today.

Dave Casey (2m 10s):

Yeah, you may be surprised at some of the questions that

Tom Bronson (2m 14s):

I feel certain that you are going to try and throw me off my game, but have no fear.

Dave Casey (2m 20s):

That's my goal. So I gotta ask you how many business transactions have you actually been a part of

Tom Bronson (2m 28s):

100, exactly 100. In fact, I didn't even realize that until I was approaching the last transaction. I started getting kind of introspective and retrospective about the number of transactions because so many people who would look at my life would say, wow, serial entrepreneur. I never really thought of myself that way. And, but, but I did a hundred transactions and I, I didn't realize it until I was closing that last transaction. And suddenly I kind of have kept a mental list and I went back and I added to it, the things, the gaps I went, oh my gosh, it's exit or it's transaction 100.

Tom Bronson (3m 10s):
Now, many of those, I was a buyer, not a seller. So, so, but I've been a part of a hundred transactions. It's hard. It's hard to believe.

Dave Casey (3m 18s):
That's unbelievable. Say I've been a other grandchildren too. So I bought one and sold

Tom Bronson (3m 22s):
1 98 more and you'll have also have a hundred

Dave Casey (3m 25s):
Right up there with the Bronson. Well, which one are you going to talk about today?

Tom Bronson (3m 36s):
Yeah. Picking out one out of a hundred. The one I want to talk about today is, is perhaps the most painful one that, that I've ever been through. And I, and I'll let that story unfold, but it was my first foray into owning a restaurant. So today I want to talk about lenses, pizza house

Dave Casey (3m 57s):
One Tso's pizza house. And when did you sell that?

Tom Bronson (4m 2s):
It was, I think it was, it might've been late 2010. I probably should go back and look at the records on that. But, but it was certainly in the 2010 or 2000 early, 2011 timeframe.

Dave Casey (4m 16s):
All right. Well, I'm going to start peppering you with your own questions,

Tom Bronson (4m 20s):
Ah,

Dave Casey (4m 22s):
Hitting us with, so,

Tom Bronson (4m 24s):

And then before you before, well, before you pepper me with that, let me just tell you a little bit of background on perhaps the, on the restaurant. So at the time I owned Granbury solutions, I was the CEO of that business. And of course we had some investors and, and folks that, you know, and people who've actually been on this podcast who were investors with me in that business. But we did a software for pizza restaurants, and I had made really good friends with one of our customers who had a wildly successful pizza chain still here in the metroplex. That's called Palio is pizza house or Palio pizza.

Tom Bronson (5m 6s):
And so, yeah, I I'd been great friends with Harry <inaudible>, who was the owner of that business. And he wanted me to potentially open up a, a, a polenta or a Palio. And, but we really wanted to open one in the town that I live in with some partners of ours. And we couldn't strike a deal with that because Harry had other partners that wouldn't let us open in this space. And so, so we really formed the business after realizing that I wanted somewhere to have a place to test my software, right.

Tom Bronson (5m 53s):
That's I wanted it. I'd never owned a restaurant. Hadn't been in the restaurant space. In fact, never worked in a restaurant. I'm one of those guys that, you know, growing up, I wasn't a waiter. I didn't work in a, in a kitchen, but I'd love to cook. And, and, and so some friends, I mentioned this to some friends of ours, who we frequently went on vacations with our kids, grew up together and whatnot. And one year we were skiing and salt lake city or outside of it was actually closer to park city. And one of my clients I knew, or one of my customers in the software business who owned one pizzeria in Southern California, I was talking with him one day.

Tom Bronson (6m 38s):
I said, Hey, we like to ski. He goes, oh, well, you ought to use my, my house. I've got a house up in the mountains and, and next time you go, just use it. So I, I called him up and I said, Hey, if your house is available, then I'd like to rent it. And he said, well, don't offend me by offering me money. I'm happy for you to stay there. And I said, well, but here's the challenge. We have 10 people. It's two families of five and there's 10 people. He goes, oh, no worries. There's plenty of room. And I went, oh boy. So, so we went up to this place and no kidding. Everybody had a bed and it was just this massive, beautiful house on the side of a mountain.

Tom Bronson (7m 19s):
And our friends that went with us, we were having breakfast one morning, just the four adults. And he says, what does your friend do for a living again? And I said, he owns a

Dave Casey (7m 31s):
Pizza.

Tom Bronson (7m 33s):

He owns a pizzeria, a pizza, real one. And, and he said, holy cow, we need to get in the pizza business. And I, and one thing led to another. And the next thing you knew, we were opening up a pizzeria together. Now we are opening day. It took us, you know, that was probably 2006. Then we had the idea. Our opening day was August 3rd, 2008 and

Dave Casey (8m 3s):

Oh yeah. Terrible timing,

Tom Bronson (8m 5s):

Brilliant market timing. I am a market timing. Genius. Dave is, as, as I'll tell you on, on my last company that I sold, I bought it in may of 2001. Right. And so of course, you know, in September, 2001, we all know what happened. The, the, the landscape dramatically changed. Well, the same thing here, we opened this very high end pizza, but very good Italian food in a, in a neighborhood that was kind of reaching for, for our quality of food three weeks before the market fell apart.

Tom Bronson (8m 50s):

And so brilliant market timing. So, so the first lesson that I'll tell you that I'll, I'll give you a preview for, is that if you want to be successful in business, just watch me and don't open when I do, because there's some disaster.

Dave Casey (9m 10s):

Yeah. So

Tom Bronson (9m 11s):

That's kind of the background of how we started this whole thing.

Dave Casey (9m 14s):

Your report sent. Yeah. I like that. Yeah.

4 (9m 17s):

Yes.

Tom Bronson (9m 19s):

I'm an early indicator.

Dave Casey (9m 24s):

Wow. So you're a, so you find yourself in the pizza business, having never been in a restaurant business or the pizza business in the past, and I'll give you back to your, your normal barrage of questions. Tell me about your exit strategy that you had going in.

Tom Bronson (9m 44s):
You know, as I, as I always tell everybody, this is the reason I wanted to talk about this example today is because I probably broke every rule that I've always had for myself in business. And one of those is my, the exit strategy for this business was that we were going to be so wildly successful with this restaurant one restaurant, or maybe open up a couple of them, that it was just throwing off cash and that it would pay for our children's college education that it would pay for. If we had dreams of it actually buying a house for us, like what my friend had in salt lake, John, still a great friend, by the way.

Tom Bronson (10m 33s):
And so our exit strategy was that we didn't want to exit this business. We just wanted to throw off the kind of cash that would give us some lifestyle stuff. Right.

Dave Casey (10m 44s):
You know, an heirloom you can pass to your kids. This is awesome.

Tom Bronson (10m 48s):
Yeah. Nice. So, so I, I rule, you know, number 367 of, you know, what I always tell business owners don't even start a business without knowing your exit strategy. Well, in this case, my genuine thought was that I'm never going to exit this business, but as you already heard, since you said, since I told you, we started in 2008 and we exited in late 2010 or early 2011, that it didn't go exactly the way it was planned.

Dave Casey (11m 18s):
Let's say two to two and a half years or so. So Y I think I might know this, but why did you decide to sell?

Tom Bronson (11m 27s):
So in 2010, my Granbury business, the Granbury solutions software business was really taking off. We took on some major investment in order to go out and do an industry roll up. And it was taking more of my time at Granbury. And, but I loved being in the restaurant, right. But the restaurant was losing money. It was losing a significant amount of money and, and it was taking up a lot of time.

Tom Bronson (12m 17s):
So it was like a double whammy, right. We're losing money and I'm having to give my time to it. And I just decided I needed to focus on the place where I can really drive long-term value, you know, and, and get an exit. And so it's something that I probably thought about or learned later from Tony Robbins, if you're in a business where you, aren't going to be able to make it, then get out of that business and go find a business that you can cut your losses early. Well, I wish I'd cut them earlier than this. I looked at my wife one day and I said, look, I'm having to spend more time over at the software business, because we really are about to

launch this one into the stratosphere.

Tom Bronson (13m 1s):
And, and I don't want to put any more money into this restaurant. And so, so I think we need to, we need to get out of it. And she knew what that meant. That means we were going to walk away from our investment. And, and over that roughly two year period, you know, we had invested about a half a million dollars and she looked at me and said, what, what do you mean, are you crazy? Why do you want to exit this business? I mean, what are we going to do with our time? I said, honey, trust me on this. It's time to get out. So, so that's what made me decide.

Tom Bronson (13m 41s):
I, we, we were also to the point where we were really not getting along with, with our partners in this business, you know, we started this business as a partnership with our friends that we were, that we would vacate together with and in our PR and our friendship was deteriorating faster than the business was losing money. And it was because we really didn't give enough thought at the beginning of how are we gonna run this? Who's going to be in charge. We were, we were genuinely 50, 50 partners, Karen and I own 50%.

Tom Bronson (14m 23s):
The other partners owned 50%. And we, but you have to understand before we started this business, we spent our weekends together. Right. I mean, we were, it, it was, it was one of those things with your relationship with people that, you know, we didn't, if you didn't have plans on Friday night at seven o'clock, you just called the other one and, oh, we're coming over. Right. You know, and that's, or you're why don't you guys come over here? I fired the grill or whatever. And we

Dave Casey (14m 53s):
Smoked.

Tom Bronson (14m 54s):
Yeah. I mean, every week we were going on vacations together with our kids, I mean, we were very, very close by 2010. We didn't even want to be in the same room together. We, the decisions that were being made that were, were just in my, in my opinion, we're just abysmal, but, you know, Hey, I take responsibility for that. Right. And, and so

Dave Casey (15m 24s):
I've heard her say that said, you know, it's like, don't go into business with family. You got acquainted business with both friends. And, you know, there's always that, that opportunity, that jeopardize that relationship

Tom Bronson (15m 37s):

Fastest way to destroy a friendship is to go into business together. And well look, but I do know people who are wildly successful as business partners, but again, I broke many of the rules going in. We had a, a partnership agreement, but it was almost a non-agreement because nobody had the upper hand, nobody was, we had co managing partners, me and, and one of the, one of the spouses on the other side, and, and we had to agree, or we weren't going to. And so it was a formula for inertia.

Tom Bronson (16m 21s):
It was a former,

Dave Casey (16m 23s):
It's a delicate deal. You know, she might recall I had a 50, 50 business partner in my business, but we decided early on, we weren't, we weren't, we were friends. We weren't best buddies. Right. We work together is where we met totally different lifestyles, totally different skill sets. And, you know, kind of like-minded as far as business, but not, you know, we were, we were not polar opposites, but we were opposite enough that we, we stayed out of each other's way. You know, he had responsibilities for certain things within the business. I had responsibilities for others. And the agreement we made early on was we're going to accept the other guys, you know, expertise and judgment.

Dave Casey (17m 10s):
And we very rarely violated that, you know, which was, I think pretty unusual. A lot of people said you never make it work with 50 50 partners. And as you know, it's, there's a lot of trepidation here, so,

Tom Bronson (17m 23s):
Yeah. And there's a, but look, if you, if you agree to those things up front, right, with this, we're not going to step on each other's toes, you're going to have full reign over this, and I'm going to have full reign over that. And you agree to those things upfront. I mean, that's, that's the kind of thing that a, that a great partnership agreement will spell out and a buy sell. We didn't even have a buy sell. Like, I mean, how many,

Dave Casey (17m 45s):
There's another check box.

Tom Bronson (17m 47s):
Yeah. I know we're counting up all the mistakes. Why? Because I just, I never really thought that, that it was going to happen to me, you know? And it was, it was, we were not capable then of ultimately working together, you know, out of all four of the partners in the business, I was the only one that was a business guy. And, and I knew the formula for success. Why? Because I spent a lot of time with our customers talking about, okay, to make a great restaurant or to make it, to make a restaurant really effective. It's gotta be some formula like this. And, and this is what I was going for 25% of food costs, 25% labor, 25% overhead and 25% to the owner.

Tom Bronson (18m 36s):

And that's, that's now some of those move around a little bit. And, but, you know, if you're, but you can't run and that's, that's, that's specific to a pizza restaurant, right? I mean, so you can't run a Bob's chop house, you know that, right? And so your labor is going to be a lot higher. Your, your food costs are probably going to be higher, but, but in a well-run pizzeria rule of thumb, 25% food, 25% labor, 25% overhead, and then you, you should be making 25%. Well, our food cost was astronomical. It was in the high thirties, close to 40%.

Dave Casey (19m 17s):

If you were a different breed of cat, right. You're going to be a very high end.

Tom Bronson (19m 22s):

Yeah. And, and as soon as some of the conversations among the two managing partners, me and the other managing partner where we need to cut our food costs, I'm not willing to compromise on our food quality.

Dave Casey (19m 36s):

Well,

Tom Bronson (19m 37s):

Alright, well, and we'd come to one, one impasse after the next, I said, well, then what, then we're going to have to raise our prices, except we're already at the top end of the market. Right. And so, so, so it's those really hard business decisions that, that were really the drivers for me, that was like, you know what, we got to get out of this. So we, so we made Karen and I made the decision. It was time to get out

Dave Casey (20m 7s):

From the, from the time you decided it's time to get out. How long was it before you actually did the transaction?

Tom Bronson (20m 15s):

It was probably less than a week. I know that. I know that sounds shocking, but, but I mean, think about what we were doing here. And, and the only reason that it didn't happen in a day is because I had to let our partners overcome the shock of, Hey, we're done. And because we didn't have a buy-sell and we didn't have a way out Karen. And I basically said, we're, we're walking away and we're giving you the business. So you've got the benefit of everything that we have purchased together, and it's all yours.

Tom Bronson (20m 57s):

And, and we had a letter agreement that Karen and I signed and handed over to them. And the only reason we didn't do it in one day was because it took them at least a week to overcome the shock of that. They were like, what are you talking about? How can you know, well, you guys own a piece of this, so you need to come in here and, and help save it. I said, well, we we've decided that we're done. So we are gifting our shares to you. And we know what that means. We're walking away from a half a million dollars that we've invested in this business. Yep.

Dave Casey (21m 32s):
So,

Tom Bronson (21m 33s):
So we must have had pretty strong feelings to do that that quickly. Yeah.

Dave Casey (21m 36s):
Yeah, yeah. Wow. So some of the other typical questions that I've heard, Tom asked probably don't apply in this case. So like a transition team transition was the door closed behind you? Cause that's like,

Tom Bronson (21m 52s):
Yeah, that was, that was it. That we basically just walked away. And, and now we did, did have an attorney just to review my, our, basically our, there was a term for it. It was our partnership resignation or whatever it was. And, but

Dave Casey (22m 13s):
Just to make sure it was the right way or the right word,

Tom Bronson (22m 17s):
I wanted to make certain that I didn't have any liabilities coming back at me. Right. And

Dave Casey (22m 22s):
So of course,

Tom Bronson (22m 23s):
Yeah, I didn't want them to come back and say, you know, oh, well this happened. So you're going to have to, you know, you're going to owe us for this. No, I, so our agreement was signed by us and them that agreed that we were walking away and that they were taking control and that they would absorb any future liabilities. I didn't want anybody coming back on me for, for, for their future transgressions. If somebody came back on us for past transgressions, fine. But for any future transgressions, I wasn't willing to take any liability. So, so really our transition team was an attorney who was actually my corporate attorney at the time over at Granbury, which we had made the change from, from one of my favorite attorneys.

Tom Bronson (23m 11s):

Who's been on the show, David hammer to, to a gentlemen who's since passed away Kirk Isaacson, who is basically, you know, David hammer who was living in Chicago, just very much a transaction attorney. And he said, yeah, this all looks good. So, so that was our transition team was, was him.

Dave Casey (23m 34s):
And there was, Yeah. As you exited then would you feeling in this, this is, this is an interesting, I guess I've never been through anything like that, obviously. But did you feel like with you essentially gifting them, everything that you had put in, did that make their chances of making the business viable better? Did you ever look at it that way? I guess.

Tom Bronson (24m 3s):
Wow. That is a, a, a great question. And I, and there's probably two ways to think about that. Number one from purely a decision standpoint and going forward and, and, and speed to execute. Yes. Us leaving meant that there was no longer these two parties, butting heads. It was their decision and, and it was their decision to take it and run with it or destroy it. I will be honest with you though. The thing that was going through my mind was that it won't last because they're not thinking about this as a business.

Tom Bronson (24m 47s):
They're thinking about this as their, their show's place. Right. This is our baby, you know, this is, oh yeah, this is our little project. And they, and they weren't thinking. So, so I knew in the back of my mind that the business would, would not survive and it didn't. And so, so, but them, us leaving gave them the ability to make all the decisions and take it whatever direction that they wanted. Now, I probably wouldn't have wanted it after what all we went through, but, but genuinely, and of course, this is all conjecture because it's, the world will never know if, if, if the tails, if the tables had been turned and they made the decision to walk away, there is no way I would have let it fail.

Tom Bronson (25m 41s):
Right. That's just, that's just not

Dave Casey (25m 45s):
There 500,000. It,

Tom Bronson (25m 47s):
I probably would have been another 500 into it, but I would have fixed the things to get it moving in the right direction. Right. And, and look, the other side of the equation is something that had nothing to do with our partnership, the economy tanked right after we opened. And so, you know, the thing, the thing that I love about pizza businesses are, and one of the reasons why I served that industry for a long time as a provider, a technology provider, is that it's almost recession proof that in good times or bad times people eat pizza. Right.

Dave Casey (26m 25s):
I remember the pizza index, like if there's something happening at the white house, the order in a whole bunch of pizzas. Right, right,

Tom Bronson (26m 33s):
Right, right.

Dave Casey (26m 34s):
Like, oh, wait, we're in dire straits, get pizza. Yeah.

Tom Bronson (26m 37s):
Yeah. I remember a, what was it a famously years ago when Chris Christie was the of New Jersey and he stood up in front of the house because they, they, they had, they were having their budget crisis and whatnot. And he says, you guys, I know you guys are hoping that I'm here to save the day, but here's what I'm here to tell you in just a second, when I'm done talking to you, I'm going to go out and get in that big black limo that, that the state of New Jersey pays for. I'm going to ride back to the governor's mansion. And I'm going to order a couple of pizzas. You guys call me when you got the, when you got something I can sign. I mean, it was like classic, you know, Chris Christie, but, but pizza is a category that it's funny for, for, we were playing in a space that was kind of a reach up.

Tom Bronson (27m 27s):
Right. I mean, it was a high quality, high end pizza, you know, you don't, you don't get a $10 pizza place. Yeah. Go get a $10 pizza at our place. Right. And, and so in good times, people will reach up to that. And then add times the people who would eat bobs are reaching down to that. Right. And so, so it just kinda, it just kind of moves and it's almost recession proof. In fact, it was one of the businesses that really thrived during COVID because it was one of the few businesses that was tooled for carry out and delivery. Right. Yep. And so, so, but the other unfortunate thing is, so as soon as the economy tanks, so believe me, all the business problems were not because the, the partners weren't getting along, we, we were also a victim of the economy and right after the economy tanked, what would ha what happened to us directly across the street from our pizzeria, which we were kind of an island out in the middle of thousands of houses directly across the street, a little Caesar's opened and $5 pizzas.

Tom Bronson (28m 27s):
And, and, and so we're, you know, our

Dave Casey (28m 31s):
Pizza pizza, that's

Tom Bronson (28m 33s):

It. And, and, and we were in a neighborhood that, that had to reach up for us and, and it was just a formula for disaster. So,

Dave Casey (28m 44s):

Yeah. So we're talking about,

Tom Bronson (28m 47s):

I wanna be sure that I want to be sure that everybody knew that. I mean, there were a lot of circumstances here. It wasn't just a failed partnership. It was, there were other things in play.

Dave Casey (28m 57s):

Yeah. Yeah. Well, great. Well, we're going to, we're going to take a short break, but we're talking with Tom Bronson, a member of the 17% club about, I'm wondering if we got to knock them back to their senators who here because of this story, but let's take a quick break and we'll be back.

Announcer (29m 14s):

Every business will eventually transition some internet employees and managers, and some externally to third party buyers, mastery partners, equips business owners to maximize business value so they can transition their businesses on their terms. Using our four step process. We start with a snapshot of where your business is today. Then we help you understand the way you want to be and design a custom strategy to get you there. Next, we help you execute that strategy with the, of our amazing resource network. And ultimately there'll be able to transition your business on your terms. What are you waiting for more time, more revenue, if you want to maximize your business value, it takes time.

Announcer (29m 54s):

Now is that time get started today by checking us out at www.masterypartners.comoremailusatinfoatmasterypartners.com.

Dave Casey (30m 8s):

We're back with Tom Bronson. And we're talking about one of his many business exits. So Tom you've already let loose a lot of things that happened here, but what, what is the main thing that you learned going through this process?

Tom Bronson (30m 24s):

Wow. Yeah, there's a, there's really a couple of things that, that I learned. Number one, don't shortcut the process. Right. You know, I, I felt like I've done this so many times, you know, with a hundred transactions in my rear view mirror, I knew better. Right. I should have been more intentional about the setup from the beginning. We should have been more intentional about roles and responsibilities, but we were such good friends that we felt like it would fall into place. And that's just, that is a formula for disaster.

Tom Bronson (31m 5s):
So that's number one, be intentional about how it's set up from the beginning. And by the way, it's not too late. If you're in a 50, 50 partnership today, and you're still getting along, take time to, to write down. Right. And, and to get out of one another, what are the roles and responsibilities? So that, and why do you write agreements like that? You, you don't write agreements to govern what you're doing. You write agreements because what happens in the event of a failure, right? And so

Dave Casey (31m 33s):
Well, and it's even, I think more important to do it when everybody's happy and getting along, whether it's before you start the process, or if you're in the middle and things are going well, that's a great time to, to, I think, define all those things. So in the event that circumstances change and like the economy changes or another external factor happens, health, whatever that you've got, all that stuff in place ready to go.

Tom Bronson (32m 1s):
Yeah. I mean, thank goodness that I didn't th that it wasn't that something happened to me or right. Because, you know, if something had happened to one or the other of us, then, then that would have been, we were completely unprepared for that. So, so be more intentional about the setup. I'm just not a big fan of 50 50 partnership. Somebody has to be in charge. Somebody has to call the shots. And when you disagree, somebody has to break the disagreement. So, so I say, even if you're in a 50 50, who gets to call the shots who has last say there, and, and I guess the third thing is that as I alluded to in the first half of this podcast, the fastest way to ruin a very close long-term friendship and relationship is to go into business together.

Tom Bronson (32m 58s):
I never thought that that was going to happen to me.

Dave Casey (33m 0s):
Oh, well. And I think everybody's that way. It sounds like the perfect deal. I mean, I had an instance, many years ago, I hired one of my best friends. Cause it was a circumstance he really needed to make a change. We needed his skillset. You know, I didn't even discuss it with my business partner. I just said, we're going to, we're just going to hire this guy. Cause I know I've known him for forever. I mean, it's, it won't be a problem. It turned out to be a big problem. And it very nearly cost me a friendship. It didn't we worked through it, but it was very flows.

Tom Bronson (33m 35s):
Well, I'm glad because so many of them do and the disaster that way, the way ours. Yeah.

Dave Casey (33m 39s):

And you can never recover. Yeah, definitely. So you you've offered some advice already, but what advice would you give business owners that are looking to transition? I mean, specifically, I think just on any circumstances, not just this kind of exit, but somebody meant, you know, we're looking to transition.

Tom Bronson (34m 1s):
No, I, I, I, I get it. I, I hear the question. It's, don't let the, the transition drive you because here's the thing. If you, if you don't define what your exit looks like, take the time to think about what does your ideal exit look like, even when you're starting your business and, and because otherwise a, if you don't have an exit strategy that you're driving an exit strategy is going to show up and drive you. And, and that is a terrible thing. So how does that happen? In our case, it was the failed partnership and the economy, right?

Tom Bronson (34m 45s):
And so if we'd have had an intentional plan, we could have worked through that plan. In some cases, it's the death of an owner. Right? Recently I was called to help a business owner that it was after her father passed away. And then her sister and her sister was running the business and in very rapid succession, the sister passed away. And, and then the sister who didn't have anything to do with the business suddenly owned the business. Well, you know, it's, so what happens here, the exit strategy then is going to drive the process. She's just got to get out of it. And so, so be more intentional about setting things up, plan for those things in advance and, and really think about the exit strategy.

Tom Bronson (35m 33s):
Because as I, as I say frequently, and I know our listeners, I've heard this a lot, exit strategy is business strategy. It, and it's, you know, doesn't mean you're going to exit. And then that drives everything. But exit strategy informs business strategy. It helps you make better decisions about your business. If you understand where you're going and what the exit looks like. And so, so that's my top advice. I think, to, to business owners about being intentional, because otherwise an exit strategy is going to show up on your doorstep and it's going to be the driver, whether that's illness, death, a buyer that comes out of nowhere.

Tom Bronson (36m 15s):
And, and it's better to think and plan in advance than to be reactive to an exit strategy.

Dave Casey (36m 22s):
It's interesting. I know that this whole podcast series is geared around business owners and the decisions they make within a business that they own and control some of these same principles go to employees as well. I've got a great friend that's he is a sales Gregory. I mean, he is just one of the best sales guy, pure sales guys I've ever seen in my life. And Well, no, you probably don't, but he's he's. He has, he's had a succession of, of working for technology companies coming in as the chief sales officer and just rapidly bringing that company, you know, way up, way up, increase their game.

Dave Casey (37m 9s):
Incredible. And he's a magnet for really good performing people. When he moves somewhere, people move with him. He's a great judge of character, knows what, you know, knows how to surround himself with the right people. And we tried to convince him a few years ago to take a CEO position of a company that we were associated with. And then he had worked for it in the past and the opening come up and he looked at it hard and he says, you know, no, I'm, I'm the sales guy. This is what I do. And he is a master at negotiating his way out on the way in. So when he takes the position, he crafts his comp plan, he crafts everything around that, that when he leaves, he's going to leave on his terms and always to the benefit of whether the company goes public, whether the company is purchased by another private company, whether a company starts to fail, whatever happens when he leaves, he's always on top, you know, and it's very, very interesting and he's, he has no compulsion to be a, an entrepreneur and own his own business, but he has run his own business within other businesses for years and just does a fantastic job.

Dave Casey (38m 21s):
And I think that that planning your way out on the way in is the key to that. I mean, and that just so applies.

Tom Bronson (38m 27s):
That's great advice. I love that. I hadn't really thought about how that applies to employees as well.

Dave Casey (38m 35s):
I mean, it's, you know, how you negotiate a stock plan or anything like that. He's just phenomenal at that. So you had the advantage, I think in this transaction that this wasn't your entire life savings on the line, you were able to walk away. Now it hurt I'm sure a lot, but you were able to walk away and continue. And you were obviously, we're, we're focused on Granbury at that point in time, you know, good thing has happened following that, but it'd be much, I can just imagine if it was your life savings on the line and you're done this and on in the business with a great friend and now we've got, you know, a massive failure on our hands.

Dave Casey (39m 15s):
That would be devastating.

Tom Bronson (39m 17s):
It would be, you know, yes, you're right. We were very fortunate. Cause I'd been through other exits before this wasn't my life savings, but I'll be honest with you. It was pretty devastating. Right. I mean, it was devastating to my ego. It was devastating to a tar bank account. Right. I mean, we, we weren't wondering where our next meal was coming from. Right. And so, but I mean, a half a million dollars is a lot of money and I don't care. I don't care how wealthy you are. And, but that's, and, and by the way, people who have money hate to lose money. So

Dave Casey (39m 57s):

Yeah. Half-a-million needs as much that Elon Musk is it it's you, but it means a lot to them.

Tom Bronson (40m 2s):
I mean, really? Yeah. And so, yeah, I mean, it's, it was, it was still wildly painful even though we weren't worried about where our next meal was coming from.

Dave Casey (40m 12s):
Hmm Hmm. Hmm. Well, cool. Well, I've got a couple more questions for you. So the last one, I guess the specific to this, I mean, this podcast is really all about maximizing business value. What is the one most important thing that you would recommend to business owners? It's going to build value in their business?

Tom Bronson (40m 37s):
I think it's finishing out the, the maximize business value theme. I have to grab a copy of my book and hold it up. It's begin with the exit in mind, right. To me, I think that that is, that is the most important business strategy. And, and by the way, that doesn't mean just, oh, I'm going to sell this for $20 million. Okay. Well, how are you going to do it? How are you going to get there? How are your, what's your culture going to be? Like, what is your, you know, what is your, what are your revenue drivers? You know, what is your, what is your, I love one of our past guests on the, on the podcast talks about VCR value creation, revenue.

Tom Bronson (41m 22s):
So revenue is not all created equally, right? And, but, but to me, the one most important thing is to, to sit down and define what the exit looks like, because then you can work your way backwards to where you are today and determine how you get there. And that's what we do with our clients. So, so to me, the number one piece of advice is define the end, begin with the exit in mind.

Dave Casey (41m 48s):
Yeah. You always have time to do course correction. So you can say, you know, I I'm going to exit this business when it hits a $20 million or a certain profit level, or I turn 55, whatever the number is, you may get there and say, you know, things are going great. I'm going to continue. But the thing is, you've, you've, you've got to that point where you can exit if you want. And I think that's important,

Tom Bronson (42m 15s):
That's it? And always be ready. Right. Always be ready. And if you're, if you're running your business with, with the exit strategy already defined, then you are more likely to be ready. And that way, when an opportunity appears out of the blue, you'll be ready for it. When, if something happens to you as the business owner, the business will be ready for it. And so, so yeah, I, I love that.

Dave Casey (42m 44s):
Yeah, that's perfect. So now we're gonna get to our bonus question and I know you always hit with a bonus

question. So this is for extra credit, Tom. So this may help you.

Tom Bronson (42m 54s):
I can't wait.

Dave Casey (42m 57s):
Now you you've been in obviously a hundred businesses as you've exited, you know, you bought and sold a hundred businesses. You've gone through this many, many times over the course of those years, I'm sure you have hired and fired suppliers, service providers, employees, and even professional service people like banks and CPAs and lawyers and stuff. How do you know when it's time, time to fire

Tom Bronson (43m 26s):
To fire

Dave Casey (43m 28s):
Or, you know, time to fire somebody? Oh, time to terminate a relationship

Tom Bronson (43m 32s):
Got

Dave Casey (43m 34s):
Pretty, pretty strong. So

Tom Bronson (43m 35s):
You scared me. I thought you were going to tell me or asked me to tell you about my favorite firing. So, cause I have one of those. Yeah. But

Dave Casey (43m 46s):
How do you know when it's time to terminate?

Tom Bronson (43m 48s):
That is, that is a great question, Dave. And I can answer that very simply. It is the first time I think about it the first time. I think that perhaps it's time to sever a relationship is the best time because here's the thing that happens. We talk ourselves out of it and, and I've done this myself hundreds of times where, well, you know, perhaps I didn't do enough to train this person or perhaps I didn't give them enough opportunity to succeed or, or perhaps they just need more time or whatever, anytime that I've ever thought I need to fire that person. And I didn't take action.

Tom Bronson (44m 29s):

I never changed my mind. And ultimately I did fire that person, but not without a lot more pain of six months, a year of, of continuing to put up with whatever it is that that was the reason that I wanted to fire them in the first place. So that is a super, super simple question for me to answer and that it easier to answer than it is to execute. But it's the very first time you think of it, that's the time to go. And by the way, I think of that even with our clients, right. Even with our customers first time, I think it's time to fire a customer or a fire, a supplier, that's the time to do it the first time I think of it.

Dave Casey (45m 5s):
Yeah. I can't remember, you know, in a sales world, there's a thing called the PIP, the performance improvement plan. So when you have a salesman, that's not quite working out, not quite achieving their goals, you say, okay, let's really examine, okay, okay, we're going to put you on a performance improvement plan and you lay out some, some, some ground rules and you've got to achieve these milestones in the next week, month. You know, whatever. I've never seen anybody that went on a PIP that succeeded. Eventually they left, they left the company and that they were terminated, you know, at some point, and all it does is delay the inevitable and, and it really, in my experience, it's always been, it's, it's very bad for that person because they're in the wrong spot and they really need to be in a different place, mad for the company, bad for the, the sales leader.

Dave Casey (46m 5s):
It's also bad for the rest of the team. They're watching this person struggle and take up a lot of management's time and so on and resources, and they're not going to get, you know, and it's just been a, and I think if I think I look at mine over the years, I've always been the wrong way. I've been too quick to hire and too slow to fire, and it really should be the opposite. Yeah.

Tom Bronson (46m 30s):
It really should be. In fact, anybody that's too quick to hire should go back and listen to our podcast with Jim Rottie hire like you just beat cancer, read his book because he defines a really great process. But you know, in part of those pips, those are driven by the HR industry because we want to prevent ourselves from getting into a legal situation. So you got to give them an opportunity to perform, but you're right. I don't know that I've ever actually retained somebody after they went on to a, to a performance plan. And so probably the best thing an employee could do is F if they're put onto a performance improvement plan, a PIP, just leave because

Dave Casey (47m 13s):
For whatever reason, you know, I

Tom Bronson (47m 15s):
Get that resume tightened up because you're going to be looking for a job here soon. That's exactly right. It's a, but, and it's a hard thing to do because you know, the, the psychologically, what we do as business

owners is if somebody fails, we take it as our own failure, right? We, we either hired wrong or we didn't give them the right resources, or we didn't train them properly. At some point, though, people are just not gonna, they're not gonna succeed. And you need to give them the ability to fail and move on. Right? And

Dave Casey (47m 45s):
Well, sometimes they're just in the wrong place. I mean, I had a guy that wanted to be a sales guy. I hired him as a sales guy. He actually tried to do all the things you were supposed to do. He just, he just didn't succeed. And he was incredibly technical. He rewrote our order entry process, you know, and I said, you're, you're a technical guy and you really need to be in the technical world. He says, no, I'm determined to be a sales guy. Cause my dad told me I couldn't be a sales guy. I'm going to prove him wrong. And that was his motivation. And he left us, went to work for sprint, become one of their senior technical leaders has had flourished in his career, not a sales guy, but he's flourished and done, done very, very well.

Dave Casey (48m 30s):
So a lot of times they're just in the wrong spot, you know? So

Tom Bronson (48m 32s):
Like I, you know, I do try to keep tabs on, on folks. If I care about them personally, even though there's another wrong person, I've seen people who I've fired in the past, you've risen all the way to the CEO roles and, and other companies. And, and I find that to be just very gratifying because perhaps they, they learned something and, and, and moved on to the right place. Right. So, yeah, for usually when, when you fire somebody, I know it's hard. It's, it's like 24 hours of agony, but rip that bandaid off and move on and it's going to be better for them as well.

Dave Casey (49m 12s):
Well, we'll put that in the, you know, being, being booted out the door by Tom Bronson is a recipe for success. We're going to,

Tom Bronson (49m 22s):
I have fired some of them of America's best CEOs.

Dave Casey (49m 27s):
I am a great judge of character. Oh, well, thanks Todd, for being our guest today. And, and I have to ask you this, but I suspect people know this, but how can our viewers and listeners get in touch with you?

Tom Bronson (49m 41s):
You know, what all they have to do is click on the link or make a comment right here on wherever they, they found this podcast and, and I will respond. And of course at our, at our website mastery partners.com, you can click a button right there and get right onto my calendar. That's easiest, easy peasy, lemon squeeze.

Dave Casey (50m 4s):

Well, great. Well, this is the maximize business value podcast. Then we'll give practical advice to business owners on how to increase the value and can build long-term sustainable value in your business. Make sure you tune in each week. This thing is on a regular basis where this will be the number one eleven one ten one ten, one ten. It's amazing. And you can follow this wherever you find podcasts or on all the multiple platforms till the next time, which you won't see me sitting here. You'll see Tom, but I'm Dave AC reminding you, it's never too early to start planning your own exit while you maximize your business drive

Announcer (50m 48s):

And you're tuning into the maximize business value podcast with Tom Brunson. His podcast is brought to you by mastery partners, where our mission is to equip business owners to maximize business value so they can transition on their terms on how to build long-term sustainable business value and get free value building tools by visiting our website, www.masterypartners.com that's master with a Y mastery partners.com. Check it out.

6 (51m 33s):

That was perfect. I wouldn't make any changes.