Maximize Business Value for your ISP:

10 Things You Can Do

By Tom Bronson and Terry Chevalier

The Facts.

It's a unique time to be a business owner of a wireless internet service provider (WISP). Changes are coming from all sides. For example, we are seeing massive government infrastructure subsidies like the NTIA's $42.5B Broadband Equity, Access, and Deployment (BEAD) program, which prioritizes fiber technology over fixed wireless. At the same time, technology improvements are leading to gigabit-level speeds deliverable over 3.5 GHz CBRS, 5GHz, and (soon) 6GHz. These events happen while owners read headlines about private equity investments, see acquisition rollups in their areas, and compete with fiber overbuilders trying to encroach. As a result, many WISP owners ask themselves if now is the time to sell their business. It's a fair question that deserves some facts and answers.

According to our research, **roughly 83 percent** of businesses on the market don't reach the finish line.

That's worth repeating—83 percent of businesses that put themselves up for sale never close a transaction. That statistic means that a mere 17 percent exit successfully. And if you're wondering, family business transitions, or intergenerational transfers, are not much different. Only 30 percent of those businesses successfully transition to the next generation.

Let's examine why those precious few in the 17 percent minority succeed. A few of those 17 percenters are disruptive businesses that command a high valuation by large "strategic" suitors. Some are just plain lucky —in the right business, in the right location, with the right network, at the right time. But the majority of them have one thing in common. They are prepared to transition when the time comes.

Being prepared means that the WISP owner has defined an exit strategy and has relentlessly executed that strategy until he has reached his goal. He has focused on building long-term value. Those owners have had great internal and external teams to help them achieve their final goal. And that goal has been to exit the business at the highest value possible.

“The only reason to have a business is to sell it and get paid for it.”

Carl Allen
Entrepreneur, Investor, Dealmaker

Building value and transitioning a business is a process that takes time. It's a process very different from running a business daily. But every business owner can get started right now. The better prepared the business, the better the outcome.

Here are ten things any business owner of a WISP can do to maximize business value starting today!

NUMBER ONE

Treat Your Business Like An Investment

A business is an investment. It's not a job. It's not a child. It's not a hobby. It's an asset.

Many WISP owners start businesses because they need more quality broadband in their community. It may have started as a hobby. Perhaps it was a need to secure income after a job loss. It could be simply to be the boss.

For most WISP owners, way back in the beginning – it was exciting. It was new nearly every day. It stretched beyond any reasonable comfort zone. And every owner dreamed about the day they'd sell the business and retire rich.

Unfortunately, somewhere along the way - perhaps once you reached a desired income - it became a job for most owners. The business became successful by society's standards, and the business owner started enjoying all of the trappings of being a successful business owner.

At that exact moment, the owner stops thinking about the business as an asset and switches to maintenance mode. They need to maintain their standard of living, so maintenance and risk aversion is the new mantra. They run the business for cash and try to minimize their taxes. They fear investing heavily in the business and limit what they'll "re-invest" to ensure it can sustain itself. There's nothing wrong with having a business that delivers a great lifestyle. In fact, it's a beautiful thing. But that's just a stable job, after all.

Over time, the owner starts thinking about the business as a child. How many business owners have described their business as their "baby?" Well, I'm sorry to say that it's not. It's an asset. It's an investment. The business owner invested time and money to build this business, and now it's likely to be their most valuable asset.

Business owners should treat it like an asset. An asset needs care and attention, just like a home, a boat, or a classic car. When those assets need attention, we perk up and take action. Many WISP owners think their network is their business and focus all their efforts on the network. I'm here to tell you that your business is much more than a network. Business owners should take action every day, every month, every year to increase the value of that asset so that, over time, once a transition occurs, it will keep delivering the lifestyle they have become accustomed to and deserve.

NUMBER TWO

Know What Your Business Is Worth!

The number one reason most transactions fail to reach the finish line is that most business owners need help understanding the enterprise value of their business.

The simple fact is that most business owners have an unrealistic expectation of enterprise value. They hear that someone else got a high multiple and assume their WISP will get the same or better one. Unfortunately, they haven't taken the time to understand how businesses are valued in the telecommunications industry, what drives that value, or obtain an estimate of the value of the business. That's a big mistake. We provide an annual valuation update for our clients to ensure they're tracking in the right direction.

It's important to have the right expectations when it comes to enterprise value. We provide an estimate of enterprise value for any business - click the link at the bottom of our website - www.masterypartners.com.

NUMBER THREE

Know Your Numbers!

Every WISP owner needs to know their numbers, which means your financial statement numbers, not your business checking balance

But you can only know them if you get your financial statements promptly! So, how frequently do you get your financial statements?

I'm astounded by how often I have talked to business owners who say they don't use interim financial statements. Instead, they get them at the end of the year when the accountant does the taxes. Business owners must review the financial statements routinely, at least monthly, by the 15th. Earlier if possible.

A financial statement is nothing more than a history book. But it's a history book that can give you clues about the changes needed to hit your financial targets. The quicker you have the information, the more likely you can change course. There is not a lot of action you can take on history if it's no longer relevant. The quicker you get a financial statement closer to the beginning of the month, the more likely you can take action on something that doesn't look right.

NUMBER THREE

If you get pushback from your accountant or bookkeeper, who might think it is too hard to produce in 10 to 15 days, challenge them to set a target for minor improvements and then relentlessly monitor the progress. If we could do it in some of my ridiculously complex businesses, anybody can do it. It is easier than you think if you just get started.

Be proactive about getting your financial statements by the 15th. Business owners who look back months later find it hard to remember the details.

NUMBER FOUR

Measure ROI on Everything!

Fundamentally, every WISP owner starts a business to get a return on investment. That investment may be in capital, time (sweat equity), or a combination

Still, every owner wants a return on their investment at the end of the day. Why shouldn't that apply to everything else?

I'm a huge risk-taker. I have very few barriers to making investments. However, I only pull the trigger on investments if I can clearly articulate the return on that investment. In the case of a WISP, this might mean understanding how much subscriber revenue you expect for investing in a new tower or how many customers you want to prevent churning by investing in a customer

Any investment not delivering a return before the anticipated transition lowers enterprise value. For example, suppose you have won a federal grant and are planning to deploy fiber in the future but won't see a dime of revenue well before a transaction. In that case, you won't get the enterprise value you think you deserve. On the other hand, investments that start paying returns before the anticipated transition (think investments that generate more paying subscribers) will provide a strong argument for increased enterprise value.

It's worth mentioning that not every investment returns cash. Some investments reduce efforts to produce results, lowering costs and returning cash and value. So, WISP owners should base investment decisions on many factors but ultimately dial them down to the things that increase business value.

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NUMBER FIVE

Review your Corporate Documents

And make sure everything is in order.

Every business has corporate records, and many businesses keep those records in a corporate records book. Whether you keep a book or a file, are your corporate documents up to date? Unless you're in the tiniest minority of businesses, the answer is NO.

These records should include organizational documents, corporate filing receipts, stock certificates, stock ledger, assumed name certificates, board minutes, corporate resolutions (and if you have bank debt - you have surely signed a corporate resolution authorizing that debt for the bank), spectrum leases, FCC filings, and more. Even if the business is not required to maintain certain records, like board minutes, it is always good to maintain them anyway.

OK - so why is this important to the value of a business?

The fact is that every business on the planet will eventually transition. When it is time for a business to transition, particularly if it sells to a 3rd party, the buyer will put the seller through due diligence. Due diligence is the process of reviewing all of the business records to ensure that the seller has appropriately represented the business. However, having been through due diligence over 100 times in my businesses, due diligence is designed for one thing and one thing only - to adjust the purchase price.

One of the first things a buyer will ask for in due diligence is the corporate records. Suppose the corporate records need to be completed or organized. In that case, the buyer will dig in because this is a sign that additional things are improperly maintained. This disorganization will make the buyer wonder what else they will find. On the other hand, when records are organized and accurate, this indicates to the seller that the documents are in order and moves the process along much faster. I sometimes hear WISP owners say that this is the norm in the industry, so why should they care?

Here's why - disorganized records slow down due diligence, and if there is one thing a seller wants, it's a speedy due diligence process—the quicker the due diligence, the faster the closing.

So - get your corporate records in order!

NUMBER SIX

Use A Business Operating System!

Every business has an "operating system" - whether you know it or not. Many are homegrown and have evolved over time. But it doesn't have to be that way.

There is an abundance of excellent business operating systems out there being used by thousands of businesses daily, including WISPs. Here are a few:

- Entrepreneurial Operating System (EOS) from Gino Wickman's book Traction.
- Verne Harnish's Rockefeller Habits from his book Scaling Up.
- Donald Miller's Business Made Simple from the book of the same name.
- Objectives and Key Results (OKRs) as detailed in John Doerr's book Measure What Matters. James P. Womack and Daniel T. Jones coined the term.
- Lean Manufacturing, from Toyota's book The Machine that Changed the World, describes its efficient operating model.
- Open Book Management or OBM as outlined in Jack Stack's book The Great Game of Business.

NUMBER SIX

I could do this all day.

BOOKS

The point is that there are many systems to choose from – most have similar elements.

The basic premise of a business operating system is to provide a framework for setting goals, monitoring progress, and achieving results. These systems include ways to hold people accountable; most even offer a meeting template and cadence.

If the business is firing on all cylinders, awesome. Suppose you desire to drive higher efficiency and maximize business value. In that case, pick two or three books above, read them, and one to implement in your business. And I strongly encourage you to get a certified implementer no matter your chosen system. Sure, you can do them independently, but you'll get further faster with a professional.

NUMBER SEVEN

Document Your Processes!

NUMBER SEVEN

If you don't do anything else, do this one. This recommendation is the single biggest thing that can improve the value of any business. A business with clearly documented, repeatable processes is always more valuable than a business without none.

BENEFITS

- REDUCES THE PROBABILITY OF SERIOUS ERRORS
- MAKES TRAINING NEW HIRES EASIER AND MORE EFFICIENT
- MINIMIZES KNOWLEDGE GAPS AMONG PEERS AND DEPARTMENTS
- HELPS ADHERE TO REGULATORY AND COMPLIANCE REQUIREMENTS
- DEFINES THE PERFORMANCE EXPECTATIONS OF TASKS
- MITIGATES RISKS.

REPEAT!

The benefits of having solid, documented processes are countless:

- Reduces the probability of serious errors
- Makes training new hires easier and more efficient
- Minimizes knowledge gaps among peers and departments
- Helps adhere to regulatory and compliance requirements
- Defines the performance expectations of tasks
- Mitigates risks.

I could go on and on.

When I speak with WISP owners, there is often a concern over the quality of their people. I can't tell you how many times I hear, "I just can't find good people." When I hear that, I ask if they have processes written down and are people trained for them. I get a lot of blank stares.

Without duplicatable processes, it's like running the business playing a corporate version of the telephone game we all played as kids. The owner starts the business, hires the first employee, and trains them how to do things. Later, the business expands, and that person hires and trains the next person, and so on. With each new hire, the training experience changes until one day, the owner doesn't recognize what's happening in their own business.

Hundreds, if not thousands, of processes are likely performed daily in every business. I get asked all the time if ALL of those processes need documentation. The simple answer is yes. But for any business that does not have them, documenting those critical processes is a great place to start.

NUMBER SEVEN

Some basic ideas could include:

- Qualifying a lead for service
- Scheduling an appointment
- Conducting a site survey
- Performing a customer installation
- Onboarding a new customer into the billing system
- Standing up a new tower site
- Adding new radios to a tower
- Checking power backup at a tower site

I could go on and on, but there are many processes that any WISP can document to improve their business.

NUMBER EIGHT

Use a Scorecard

This is one of those magic bullets that every business owner needs.

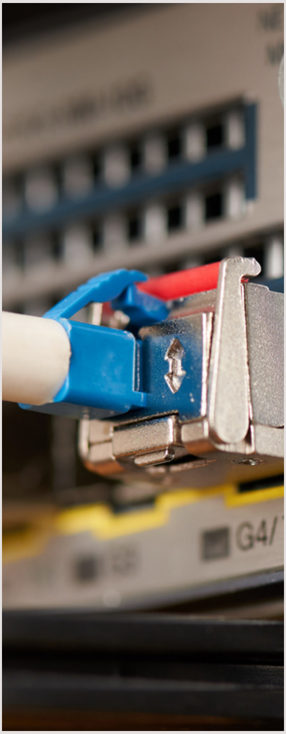
Identify and track Key Performance Indicators (KPIs) that can be measured daily, weekly, monthly, or quarterly. KPIs, also known as metrics, are critical. Thorough and intentional KPIs indicate when your business is doing well and simultaneously hint at the weak parts.

There are two primary types of KPIs – Leading and Lagging. Leading indicators measure activities that support achieving the desired results and are actionable (think customer satisfaction). Lagging indicators measure the results, so there is still time

time to take action that will change the outcome (think customer churn). A great mix of KPIs includes both leading and lagging indicators. Measuring the right KPIs will tremendously impact moving a business toward the desired outcomes.

KPIs must be well-defined and quantifiable. My personal preference is using the SMART goals method. George Doran, Arthur Miller, and James Cunnigham introduced the concept of SMART goals in a 1981 article - "There's a SMART way to write management goals and objectives." SMART is an acronym for Specific, Measurable, Attainable, Realistic, and Timely. I typically replace the word Attainable with Aspirational, but either works.

There should be a minimum of two or three KPIs for each "department" in your business. Typical departments in a WISP include Sales, Marketing, Field Operations, Network Operations, Customer Service, and Finance, to name a few. The key to selecting the correct KPIs is identifying those metrics that tell instantly whether the business is on track or veering off track.



NUMBER EIGHT

Some great examples of KPIs include:

Leading and Lagging Indicators

LEADING INDICATORS	LAGGING INDICATORS
SALES LEAD CONVERSION	CUSTOMERS
% UNQUALIFIED LEADS	REVENUE GROWTH
% SUCCESSFUL INSTALLS	CASH ON HAND
CUSTOMER SATISFACTION	EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION, AMORTIZATION
SERVICE QUALITY	EMPLOYEE TURNOVER
RECEIVABLES | BAD DEBT	CUSTOMER CHURN
RECEIVABLES | BAD DEBT	PORTAGE TO DIFFERENT COMPETITORS

NUMBER EIGHT

There may be more than 2 or 3 metrics for each department. In my experience with many WISPs, I often encounter challenges in capturing the underlying data for the scorecard. The critical point is to get the metrics you CAN measure and then add others over time. The quality of your data WILL impact a potential transaction, which could be a shorter/ longer diligence timeline or even impact value.

Because of this reality, don't just make a list and measure everything. Pick the drivers in the business and set goals to achieve the desired result for each metric. In doing so, the team will know if the business or department is on or off track.

As reported through WISPA, an excellent place to start is benchmarking against your fellow WISPs. While these benchmarks may be a good place to start, KPIs should be specific for every business. They should hone in on the goals of that unique business. Just realize that your market is different, your competitors are different, and your network may be different – all of which affect what is "best in class" for your company.

Once you have the right KPIs determined, consistently measure them - and then take action to ensure the train stays on the right track.

NUMBER NINE

Make Growth a Priority

Many (dare I say most?) small businesses remain flat (with little or no growth) for many years.

While WISP owners tend to be very competitive, maintaining that focus on growth year after year can be draining. For them, the business becomes about balance. Let's face it: growth is a lot of work, especially in the face of everything owners deal with, from government rules, aggressive competitors, and demanding customers. And, if the owner is comfortable with the income the business provides, why work harder to grow the business?

Our experience shows that a growing business is always more valuable than a flat or declining business. Some small business owners, including some WISPS, care less about growth because the business has become a lifestyle business, meaning that the business exists to support the owner's lifestyle. While nothing is wrong with that, business owners who treat their business that way usually miss out on building long-term, sustainable value.

In most industries, businesses trade at a range of earnings multiples. For example, a particular industry trades at 3 to 6 times earnings. Flat businesses almost always trade on the lower end of that scale, while businesses growing at a reasonable pace (compared to their industry averages) trade at the higher end of that scale. This dynamic holds true for WISPs, just like other businesses.

I've repeatedly seen that business owners value their business on the future growth potential of the business rather than past performance. Many are banking on growth in fiber to "juice" their multiple. They recognize growth potential but have yet to invest in realizing that potential because it's risky or they are just plain comfortable where they are. Unfortunately, as I've repeatedly stated, buyers value businesses primarily based on past performance, not future growth (except in unique instances). The buyer will have to make investments to realize that future growth potential (that includes investing those marketing dollars to turn fiber assets into paying customers).

So, business owners with a flat or declining revenue graph for the last 3 to 5 years need to kick it in high gear to move that arrow profitably up and to the right.

NUMBER 10

Eliminate Owner Dependency!

NUMBER TEN

Owner dependency is one of the biggest obstacles to business transitions, and this can be especially true among WISPs.

Become expendable by investing in people and systems. If the business owner is the only person who is not expendable, the business could be worth nothing. Zippo. Nada. Zilch.

Many business owners thrive on being the only person who makes the business tick. They may think they grew the business, and so they know how to do sales and marketing. They may have a background in network operations and believe they are the best qualified to continue maintaining that network. Unfortunately, when it comes to selling or otherwise transitioning the business, if the owner is the only one who knows everything, guess what happens to the value of that business when all of that tribal knowledge walks out the door?

Over the past several years, we've seen a trend toward "earn-outs" or "seller-based financing." This means that the owner gets less money when they sell, putting more at risk in the transaction. The buyer says there is too much risk to the value without the owner present every day, so they will only pay full value once the owner can prove they are out of the business and can perform without them.

Take action to document all of those things that only the owner can do. Make a list of them and then relentlessly document the processes. That list primarily includes banking relationships, sales, key customer or vendor relationships, or network operations. Once the documentation process is complete, consider training others to do the work.

I have always tried to operate my business as an "investor" rather than an "operator." Investors are passive when running the business. Operators are up to their eyeballs in it every day.

For a business owner who needs to know if they are an owner/operator or an owner/investor - Try taking a 3-week vacation and unplug. If that sounds impossible, then you are an operator! If it sounds delightful, you're an investor.

I practice this regularly. If the place was no worse than how I left it, I must be doing something right! The value of the business improves dramatically the minute it is no longer dependent on the owner. Suppose the business, and you are dependent on each other. In that case, that leaves little time for other priorities - family, community, causes.

NUMBER TEN

The more the business owner can become expendable, the more valuable the business!

BONUS

Sharpen The Saw

Commit to sharpening your saw this year. Every lumberjack knows that a sharp saw makes cutting down a tree much easier! Abraham Lincoln famously said, "Give me six hours to chop down a tree, and I will spend the first four sharpening the ax."

What great advice for business owners. Seek out seminars, webinars, and learning opportunities – and then apply those lessons to your business!

So – here are the ten things you can do to Maximize Business Value! As you can imagine, we are only scratching the surface, as there are many places to start and many other ways to drive value for your WISP.

Which one of these will you start TODAY?
It's never too early to maximize your business value, so let's get to work!

ABOUT THE AUTHORS

Tom Bronson is a serial entrepreneur, business owner, and author of "Maximize Business Value Playbook" and "Maximize Business Value, Begin with the EXIT in Mind". As the founder of Mastery Partners, and the Business Transitions Summit, he empowers business owners to maximize business value so they can achieve their dream exit. Mastery Partners is a firm that develops and executes ultimate exit strategies with its clients. Bronson has participated in 100 business transactions as the buyer or the seller. Mastery Partners' unique approach developed from his experience in business transactions. For more information on Mastery Partners or to contact him - visit www.MasteryPartners.com and schedule a call.

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