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 that 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.

Tom Bronson (37s):
Hi, this is Tom Bronson and welcome to maximize business value. A podcast for business owners who are passionate about building long-term sustainable value in their businesses. It's time for another celebration. I know, I know. Didn't we just celebrate our hundredth episode three weeks ago. Well, of course we did, but today we're celebrating our second anniversary. And if you know me at all, you know that I love a good celebration. Now I know we say it over and over again. This podcast is all about business owners who are passionate about building long-term sustainable value in their businesses. And then every episode we ask the same question of our amazing guests.

Tom Bronson (1m 22s):
What's the one thing business owners should do to maximize business value. So to celebrate our second anniversary, we're giving you a gift, a compilation of the best answers we've gotten to that question over the last year. Now, look, this is going to be rapid fire. So if you usually listen in your car, you might want to pull over and grab a pen and start taking notes. This is the best of one of our favorite questions. What's the one thing you would recommend to business owners to build long-term sustainable value in their businesses. Enjoy

David Hammer (2m 1s):
It's about people first, because we recognize that you can't achieve your business results. You can't achieve this achieve sustainable business results without your people. So put your people first and take care of them and let them know that they're cared for.

Tom Bronson (2m 17s):
Yeah, it's a relentless and continuous focus on your people and your culture, which necessitates strong leadership. Typically, when you look at a balanced scorecard through a strategic planning process, you have a financial goal. You haven't got a internal business process goal, you've got a customer goal and you've got an employee goal. And the problem that you run into is when you try to run your business that way, cause it's really backwards, right? So you got to put the employee and your culture first, so they can take care of your customer and achieve your customer goal using your internal processes. And the money is what happens when you do that.

Tom Bronson (2m 59s):
So focus on, so yeah, disciplines around culture and people it'd be the number one thing I would

recommend.

David Hammer (3m 8s):
No, that's a great question. And for me, when I look at the, at the businesses, of course, I focus on the financial side. One of the things that I advise business owners to do is to be critical of their business. You know, it's their baby, but, but they still have to look at it like an outsider looking in. So I always tell them to, to look at their financials each year, look at anything where there was a major change that something happened that year, that four years from now, you might've forgot to mention because when your fi, when your company is being analyzed by a potential buyer, potential investors are being analyzed by lenders. They're typically looking back three or four years. And when they ask you a question, they want you to remember what happened four years ago.

David Hammer (3m 50s):
So one of the things that I advise business owners to do is keep good, good information of major things that happen in each calendar year, because it makes it easy to explain and give that information up front when you're, when you're presenting, because, you know, borrowers, I mean, lending sources are, and buyers of businesses are naturally skeptical. You know, they're looking at things from their perspective. So if you're upfront and you're like, look, you know, this year we had this extra a hundred thousand dollar expense. Here's what we invested in because we're streamlining our software. We're making ourselves more efficient. That that explanation is a lot better than me looking at the financial and saying, why did this expense category jumped by 20% for this one year?

David Hammer (4m 31s):
So if you know that those things have happened, keep track of them. And, and another thing related to the same thing is, you know, as long as I've been doing this, banks all was asked for the same basic credit file. So I tell clients to just keep an ongoing, you know, folder of all the financials, you know, you're going to be asked for and just keep it updated, you know, have your three years tax returns in one folder, have your year-end financial, have your current AR AP report, have your business dead skull, just have it all there in one little folder, you know, electronically, you know, old days we used to have them in a file cabinet, but now it's all electronic. You have it in one folder with multiple files and whenever you are doing a loan request, boom, you've got everything right there.

David Hammer (5m 12s):
And, and that makes you look a lot more professional when you're looking at and financing or when you're looking to sell your business.

5 (5m 19s):
Yeah. I think honestly, it's invest in yourself as a leader because no one ever is perfect. And the more you're willing, you know, for some leadership principle, one's called know thyself, the more that you can look in the

mirror and own how you show up and take personal accountability responsibility for that, the good, the bad and the ugly, the, the bigger and stronger leader, you're going to be number one. And then secondarily invest in your people, especially millennials and the generation coming next, entering the workforce, digital natives or gen Z, they're sometimes called.

5 (6m 1s):
They are all about development. So if you're not offering development, you're not offering a roadmap and a path of how you can enter into a certain job. And here's, what's possible for you here in our organization in terms of moving up and taking on more responsibility, they're going to go with someone who will provide that and then secondary. And then the other part of that is especially that generation millennials, for sure. And especially this next generation coming up, they're all about wanting to work for companies that provide value and have values. Meaning what do you stand for as an organization? I know what you do. You make widgets, but who are you?

5 (6m 44s):
And what is your value based proposition of giving back to the world is critically important to these generations. So you better be looking really long and hard about that. So I would say all of that,

Tom Bronson (6m 59s):
That's a tough, that's one thing I'm going to give you too. The one thing is value. Focus on value. That's the one thing you got to shift your thinking to focus on value. And the place to start is to do what we call that discovery process or what we refer to it. I write about a call it the triggering event because doing the triggering event is going to lie. I get that question all the time. What's the one thing you'd recommend a business owner. Do it. I take, go get a triggering event though. No, because at that point, you're going to have an outside in look at your business. You're going to get an assessment of your business. That's got a lot of detailed, you know, details associated to it.

Tom Bronson (7m 41s):
You're going to have all your value factors scored. You're going to know where you stand. You're going to know your present value, your potential value. You're going to know your value gap, your profit gap. You're going to learn all of these things. And with that information, then you can sit down and say, okay, where do I want to go? What's my opportunity. It's hard to decide where to go. If you don't know what your opportunity is, right. I dunno. You know, like, so if I have a business say it's worth 5 million and it could be worth 20 million. Maybe I want to try to drive for at least to get to 10 million. But if 5 million is going to close your gap and you're wiped out and you're tired and you're ready to go do something else, and 5 million is going to do it. Then you can go with five minutes, but don't you want to know and not guess so that's why I say the one thing would be really get a triggering event done.

Tom Bronson (8m 29s):

And as a concept, the one thing would be a focus on value first and you'll get the income and sales you're looking for.

6 (8m 37s):
Well, you know, I, I kinda, I looked at that question and I, I hear that question. And I, I think the idea is to build wealth it's to build, build the business, maximize the value of the business so that they're increasing their wealth. And I come back to treating that business as an asset and having a family plan that deals with that business so that it maximizes the wealth of the family. And that's, from my perspective, just making sure that conversations within the family are happening to, to allow that business, to really leave a legacy and really do great things for that family is, is my best advice.

7 (9m 30s):
Again, building relationships with your trusted advisors early, and I call them trusted advisors because they should be the ones who are asking you these kinds of difficult questions. And they're the ones who are courageous enough to step in and talk to you about the things that no one else. If I were evaluating an advisor, the question I would ask the advisor is what is your exit plan? How are you preparing to let go? Because an advisor who has done that work for themselves and is clear, not just about the money they'll get, or that I'm going to work 10 more years, but an advisor who has done this deeper work to really get clear about what could hang up their own exit is going to be a super skillful guide for you.

7 (10m 21s):
And that in many ways, it's the most important piece about whether or not you will successfully exit because you will exit, but you want to exit in way that doesn't cause regrets.

David Hammer (10m 35s):
I think it's investing in their people and I, and I, and you used what you said earlier. I think you kind of started going there when, when someone takes the time off, what, what it does to the people that you to see, if you can run a self managing company without you being there, but truly investing in your people and treating them like they're owners. And, and I think one of the simplest ways to get started is to get the word I out of your vocabulary and replace it with we it's, this is our business. It's our clients. It's not, they're not mine.

David Hammer (11m 16s):
It's not, it's not about me. It's about all of us in this cause they are as important. Karen and Kendra is as important part of the team as, as I am.

8 (11m 27s):
Yeah. Well, I would say something that we've talked about a little bit is, is risk. I think that risk is something that, I mean, obviously you want to be profitable. You want to have good books and all that kind of stuff. But I think that as business owners, we, we tend to not understand the risks that we're taking within our business

until we get ready to sell. And we have somebody on the other side looking at it, whoa, there's a lot of like in my case, there's a lot of regulatory risk here. Wait a second. You know, so are maybe, you know, you have one large customer, you know, that's a major part of, of, of your revenue.

8 (12m 9s):
Well, that's a risk that you've dealt with and that you've just gotten kind of used to, okay, as a business owner, I would say that you should start looking at it from an outside perspective and, and try to do the best you can to mitigate a lot of those risks so that when somebody comes in to buy your business, they can see that you're doing the best you can with that. And they can, they can be comfortable with what's something that you've just gotten kind of used to.

9 (12m 38s):
So keep your technology current. That's one thing that I would highly recommend and then hire people that are qualified to support your technology. Don't, don't, don't hire that least common denominator, the cheapest, you know, that's always a bad, bad approach. Racing to the bottoms is a terrible idea. You get what you pay for. And that's not just for me, it's hiring an MSP, hiring a consultant for whatever you're doing. So those are a couple of things that I would advise.

10 (13m 6s):
I, I think the biggest thing is the quicker they can get to understanding what their value creation revenue is, the faster they're going to be able to create clarity in their business and simplicity. And when I say simplicity, I don't mean dumbing stuff down that I believe simplicity is a, is a very simple equation. It's frequency plus clarity, right? So once you understand what it is that that is going to drive the value of your business, you need to constantly be, communicate that out to your team and you need them to give you feedback on what they didn't understand about what you just said. Right? Cause kind of like what you were talking about, what you did for us on, on this, on this podcast was, Hey, some of you may not know what SIM is, right?

10 (13m 53s):
And so here, let me give you the definition that happens every day in every conversation that business leaders have with their employees. So you got to increase the frequency of, of conversations that you're having in your managers are having, and you constantly need to make sure that you're creating clarity and getting them I code in an intensity score, right? So we want employees to constantly be asking the questions to show that they're active in the business and, and to communicate where we're not making sense and, and, and, you know, say it a different way or work with them until they get us.

9 (14m 28s):
I say, one thing is hard. But the thing that I think is so important is to run your business day to day is if you're going to sell it tomorrow, not so that doesn't mean, you know, cut corners and cut expenses and so on, but build the business, make decisions that make the business stronger, whether it's topgrading your people,

whether it's investing in systems, investing in backend processes, marketing, all the things it takes to run a business, do those things all the time. And you will maximize your value on the, on the way out, because it's amazing.

9 (15m 10s):
I've watched businesses B be purchased and, and I'm saying, well, this guy got a huge multiple. And he said, yeah, because he had these, this company that acquired them, had three other companies they'd acquire that were similar, that were disaster. They acquire this guy, they take all his systems and processes apply it to the other ones. They get a great return on investment right away. So they really attach value to that. And so I think that's something and it was hard. It was very hard for me to do when I was in the business, I kept saying, you know, okay, we had a good year, but I really don't need to move to salesforce.com because that's going to be very expensive.

9 (15m 50s):
And I'd much rather just take, you know, some money and put it in the bank or, you know, go buy something. So when I really should have been making those decisions to reinvest in the company and, and again, that when you're struggling, it's hard. I mean, you can't, you don't have the money to reinvest in the company, but when you're having good years, you know, don't be afraid to do that. And I think that really pays dividends.

11 (16m 15s):
Yeah. As I said earlier, it took me 20 years to really figure out the difference between the top line and the bottom line. And over the past 5, 6, 7, 8 years, Nicole and I have just really focused on the financials. And personally, I love doing financials. Nicole is extraordinarily good at doing the financials. What I mean by that is knowing the numbers. And I love that part. I, and I know that's where the value comes from is looking at the numbers. A buyer is not going to say, tell me about they will, but it's hard time valuing it. Tell me about your culture.

11 (16m 55s):
Tell me about your employee relationships. Tell me what they're going to do is say some of your financials and as much value and as much time and energy and effort that you put into creating employee net satisfaction, client satisfaction, that's extraordinarily important. But the first question is going to be, show me your financials. So I remember an adage and I don't remember where I heard this. I think it might've been from Michael Gerber, but no thy numbers and Nicole and I teach other agency owners how to run a good financially stable business through your financial statements. And, and we're very passionate about financial literacy and there's too many people who aren't financially literate, particularly our kids.

11 (17m 43s):
They don't teach finance very well and, and much less college, but they don't teach it. And in high school, our kids need to understand what that means and the risk of that. They need to understand how to balance a

checkbook. They need to understand the value of money, the time value of money, compounding interest. And he didn't undervalue. They need to understand what savings means. I have. I had dinner with my daughter and my 21 year old daughter last week. And she goes, dad, I really learned something from you. And I'm really enjoying this and you and Nicole do the fun fund. And I love contributing to my fund fund because I now can do things that make me happy that I don't feel guilty spending the money. Cause I know the money's already spent, it's already in an account.

11 (18m 24s):
So, you know, teaching financial literacy is something really, really important to us. And when you have to show those finances and if you get a call at 8:00 AM to from your financials, and if you can send it at 8 0 1 and you feel confident about that, that's a really good thing. And so I would really, really focus on financial literacy, knowing the numbers, understanding finance, really drilling your accountants, get them to teach you what they know, knowing the difference between accounting and bookkeeping and controller and finance is really, really important. Looking in the past is great, but being able to forecast and plan the future is even more important. Absolutely.

11 (19m 4s):
So what, what I, what I see is that the vast majority of business owners don't think about exit period until they're burnt out, they're just done with it, they're over whatever it might be. And they spend their time working really, really hard in the business. So for me, it's pretty simple, like figure out, you know, figure out today, you know, first of all, educate yourself, like what does it take to actually, you know, create value, pretend that you're going to be going on the market, you know, like in a year, just pretend even if you have no intention of doing it for 20 years or whatever the situation might be.

11 (19m 44s):
So educate yourself by, you know, talking to knowledgeable people. Obviously Tom has, you know, in, in this space and doing that, but it is so incredibly critical to really be able to look at your business and see where the weak points are and figure out how to truly, how to build value as an in, in an eventual sale. I mean, that, that would be what I would have to say. I strongly believe in that. I feel like with everything we've learned, we've done that with mojo. So, you know, if something were to happen, you know, now we'd be ready, you know? And so it's a great feeling. And you know what the cool thing about that is when you do this, you're going to make more money.

11 (20m 25s):
You're going to have more fun as an entrepreneur because there are things like, you know, building value is how do you kind of start removing yourself from the business and the day-to-day at Eve and taking more time off, creates a healthy business, right? Creating the healthy business creates more profit. I E you can actually make more money. So it's a lot more fun. So that's, you know, at the end of the day, if you want motivation, like it's ultimately fun way to, to, you know, to run a business, even if you never sell. Well, that's a

good question. Hard to answer in one thing, obviously integrity, honesty, but I would say, be a person of principle, be a person of principle.

11 (21m 9s):
Ralph Waldo, Emerson is quoted as saying as two techniques, there are a million and then some but principles are few. The man who embraced his principles can successfully select his own techniques. The man who selects techniques, ignoring principles is sure to have trouble. And so I would say, it'd be a person of principle.

8 (21m 37s):
I'm curious what I said last time, but I don't think this will be in conflict, but it's hold out to hire great people. And then when those people come on board, you invest in those people too. Oftentimes folks have a position that they need to fill. And then they hired the least worst person who applies for the job, right? Like, hold out for somebody who's not just good, but really good. Somebody who's going to be able to move your business forward, not just fill a gap. So it all starts with that very intensive, methodical, conscientious hiring process, hold out for those folks and then keep them around by investing in them

12 (22m 16s):
Short term sacrifices can yield long-term rewards. So don't, don't, we penny-wise, and pound-foolish make investment in your business, in your people. Would that be education training, you know, whatever, and, and invest in them, the necessary tools of the trade technology professionals, business development, don't suck your company dry because you, you want another shiny whatnot invest in your, in your company. And it can be a long-term benefits.

Tom Bronson (22m 53s):
So I knew you were going to ask me that question because I've asked it, you know, dozens and dozens of times with other folks. And, and I vacillate on the answer, but I think ultimately the answer is get ready sooner than you think, right? You never know, and you never know what's going to happen. Life happens. You never know if something's going to happen to you or one of your key people or an offer's going to walk through the door or, or, you know, you become disabled and can't work or worse. You know, the death of an owner is a terrible thing, right? Because it passes on to the next people who are probably not prepared to handle the business.

Tom Bronson (23m 37s):
So I say, get ready sooner than you think. Even if your business, if you're going to hold your business for 20 years, that's fine. Understand what your exit value or exit needs to look like, start preparing for it now. And that kind of starts with getting a evaluation on the business, understand that value. So if I could twist it into two things, it's be ready early and, and understand the value of that business. They've heard that now, like three or four or five or six times on this podcast. So maybe it'll start sinking in,

12 (24m 9s):
I would say focus not only on building sustainable EBITDA. And that starts with having a great repeatable and scalable business model and all the great things Tom is teaching you, but also making sure that you're training your next generation of leadership to take over. Because if a buyer sees that the value of the business is just with you, then the value of the business will be very limited to just,

David Hammer (24m 38s):
We've heard about golden handcuffs where the business gets purchased, but they don't want to let the senior executive or the owner go because they have tribal knowledge, legacy, knowledge, client, relationship, whatever that is something that has to be eliminated. And I would recommend that you draw a line, a horizontal line across your org chart, somewhere between the owner and your supervisor level and say, everybody above that line is dispensable. If, because we've got, we have process, we have procedure, we have automation. We have a pokey UK, the ability to prevent errors in the internal execution of our work, because we've, we've transformed that executive layer of our business.

David Hammer (25m 27s):
It can be sold. It can be jettisoned without compromising performance.

15 (25m 33s):
Make sure you have all of your legal documents prepared. That is the most important thing, because at the end of the day, if there is nothing there legal to protect your, your trademarks of your company, your legal contracts, all those things that your attorneys prepare for you, that is the number one thing as a business owner, you can have in place for your family and for your business.

9 (25m 56s):
I think they need to understand where they bring the highest value to the company. I see a lot of owners getting distracted and when they were smaller, they can afford to do that. But as they grow, they can't, and then don't let anything distract you from focused on that area. There, I, I, I think about people in the business that are kind of in three categories, finders, minders, and grinders, and that's the owner of B2B CFO kind of came up with those terms, but you know, the owners are the finders of new customers and you know, our new ideas, they've got minders of the business that are absolutely necessary to keep things rolling. And then they got the people on the shop floor that are the grinders.

9 (26m 37s):
They don't need to be minders or grinders. They need to be finders. And, and, and to produce that highest value, focus on that. And don't let, don't wait, don't let yourself get distracted. Like you may have let yourself do when the company was smaller.

7 (26m 51s):
Oh, okay. I am going to say, I think that they need to make sure that they have a relationship with an accountant who wants to help them to influence the future. Do yourself a favor and work with someone who wants to help you affect what is to come, not just prepare tax returns or bank, do bank reconciliations. That's not going to help you navigate, you know, all the things that I had. So I think that would be my one piece of advice.

16 (27m 29s):
Number one, there's a big difference between being self-employed and being a business owner. And it has to do with take allowing yourself to be able to hire people, to do things that you don't do very well. And self-employed people do everything. Business owners, hire people to do everything. That's the biggest difference. And if I could give anybody advice and that would be, if you really want to scale your business and grow it, you need to add staff. And yes, I know that sounds scary. And I know that sounds like a lot of headaches and again, but the bottom line is, is that you're never going to grow unless you keep growing your, your, your staff, because you got to keep giving them and growing them so that you can keep doing the things that you're doing.

12 (28m 20s):
Very simple statement. Put your mask on first. You know, when you're in an airplane, okay.

Tom Bronson (28m 31s):
At time of COVID and I'm going, okay, what's going on here? I suddenly, it dawned on me what you're saying. That's brilliant.

12 (28m 38s):
Can you, when you're in an airplane and they tell you when the oxygen masks drop down, put your own on first, before you help someone next to you, the kid, you know, the old woman, whoever it is, right? Put your mask on first. Imagine you were the pilot of the plane. As you are the, the owner of the business. When the oxygen masks come down, put yours on first, if you don't take care of yourself, if you don't get the kinds of support and resources and expertise, whether that's with a coach or a consultant or guide and an advisor, if you aren't getting sleep, nothing else is going to come together.

12 (29m 20s):
You can't grow your business. You can't hire great people. You can't have great innovation. You can't create a business. You love, you can't create a legacy for your family. None of that will happen if you don't take care of yourself first. So put your mask on first.

17 (29m 36s):
I really believe that long-term value in a business is built by not being afraid to ask for help, not being afraid

to say this isn't my expertise. I don't have knowledge in this area. I'm okay with saying, I don't know. And when I worked on with clients that they asked me a question and I don't know, I will say, you know, I don't know. Let me find out, let me pull in someone from my team. Let me ask one of my partners or one of my specialist, my wealth strategists, and we'll find the answer. But I would encourage business owners to not have fear of asking for help and asking for expertise when they don't know.

8 (30m 20s):
So I'd say tying in with all the things I said before, about the ready aim higher and raising your standards and all that. I'm going to channel. I heard Dave Ramsey who talks a lot about hiring. People don't know him for that, but I've seen, I've heard him do that. And I can specifically remember the first time I heard him give this advice that I'm going to channel. I was driving back from a business coaching session in Toronto, driving right back, close to the border. And they asked him this question about hiring. And he said, double or triple, the amount of time you invest in your preemployment process with a candidate who you think is going to work out. So, and people are like double or triple. Are you crazy? And it's like, if you're spending two hours, spend six. If you're spending three hours, spend nine, like you don't just increase it by a little bit.

8 (31m 1s):
You have to increase it exponentially. That's how you're going to get those wheelbarrows over. Foaling overflowing of data. I don't make you better decisions.

15 (31m 8s):
Well, this is going to sound a little bit repetitive, but you have to know where you're going and set that goal. Even for me as a partner of the firm, I set goals for what I want to do every year. And I have it posted on my wall and oftentimes having it in front of you helps you focus on it and achieve it without the goal where you don't really know where you're going.

Tom Bronson (31m 36s):
Start with the end in mind in terms of your organization of you need to, you need to decide on how you will exit the business before you ever start the business. Oh, are you going to run it forever and pass it down to your children? Are you going to sell it? Or are you going to take it all the way to IPO? Oh, IPO of course is the best way to maximize wealth. Always has been, always will be because you can sell a portion of your business for a higher multiple that you would ever get in a private transaction. And at the same time, maintain some ownership, often controlling ownership at the time of closing.

Tom Bronson (32m 23s):
However, in 2019, which was the last year on tainted by COVID statistically, oh, there were 219. IPO's in the United States of America. If you are building business to IPO, you're probably making the wrong bed because the odds are overwhelmingly against you. So you need to start with the end in mind. The end in mind will be the exit of the business and everything from organization to process and procedure to drive

earnings flows from that one decision.

Tom Bronson (33m 4s):
Holy cow. Now that is some amazing advice, but don't be overwhelmed by it. Pick the two or three things that will have the biggest impact on your business and get started today. And if you need help, just call me. My cell is (817) 797-1488. I am waiting for your call. This is the maximize business value podcast, where we give practical advice to business owners on how to build long-term sustainable value in your business. Be sure to tune in each week and follow us wherever you found this podcast.

Tom Bronson (33m 46s):
So you'll never miss another episode. So until next time I'm Tom Bronson. What are you waiting for? Get started on your exit strategy today while you maximize business value.

Announcer (34m 3s):
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Tom Bronson (34m 50s):
That was perfect. I wouldn't make any changes.