Announcer (33s):

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 fuel 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 (36s):

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 your business. In this episode, it's part of our series called tales from the 17% club, as we've said over and over again, a full 83% of attempted business transitions, fail to reach the finish line, meaning that only 17% of them are successful. So in this series, we interview the people who have successfully transitioned to their businesses. We call them the 17% club to learn more about the process and are some interesting stories along the way.

Tom Bronson (1m 16s):

You won't be disappointed today. In this episode, I'd like to welcome our guests, Randy Horan. He's the founder of Normandy capital group and president of the business Crusader. I first met Randy at of all places baseball game. When I was there with my friend and past 17% club guest, Mike Rose, after that introduction, I knew that I needed to get Randy to share his story with you here. Randy served as president and CEO of Texas air composites or TAC. One of the nation's leading FAA authorized repair centers for composite structures, Horan co-founded TAC in 2000, along with his brother, Michael, and they sold the business in 2014.

Tom Bronson (2m 4s):

Now with a style that reflects more Jimmy buffet than Warren buffet, Horan infused TAC with his own brand of energetic leadership spirit and vision. Over the years, this unique style of management is based on a passionate belief in open book management OBM, which encourages each employee to really understand the inner workings of the business and thus become truly invested in the success of the company as a whole. That is a quality that I admire greatly. So welcome to maximize business value. Randy,

Randy Haran (2m 42s):

Thank you, Tom. Appreciate it. Thank you very much.

Tom Bronson (2m 44s):

It's good to have you with us. So give us a little background on Texas air composites.

Randy Haran (2m 52s):

We were an FAA repair facility. We started the company in 2000. When you look at an FAA repair facility, kind of look at as a car body shop. So the airplane didn't come to us, but the components on the airplane and a type of components that came to us were either a metal type structures or composite structures, composite being fiberglass, graphite type structures, any thing on the wean or the tail and in and around the engine in front of engine and behind the engine. And then also from an interior standpoint, we did the floor, the walls, the ceiling, the bathroom, and the kitchen of the airplane. So for major commercial and regional airlines, such as Southwest American Delta American Eagle, SkyWest to name a few.

Randy Haran (3m 36s):
And we also did a lot of work with international airlines as well.

Tom Bronson (3m 41s):
So I imagine that you and Michael didn't just wake up one morning and decide, Hey, that'd be a pretty good business to be in. Let's go start doing cuppa. How did you guys get in? Or I know you started the business, but how did you get into it?

Randy Haran (3m 54s):
My, my parents have had a company, my parents, the reason why they came to Dallas back in 63 was out of Wichita, Kansas. My father worked for a machine shop, specializing in doing stuff for bell helicopter. So that company picked up and moved everybody down here. So my father had kind of come up through that to the aviation business and he and my mom started their own business in 1973. So we pretty much grew up in the aviation business.

Tom Bronson (4m 23s):
And I was going to say, you didn't, you don't, you're not an accountant for years and decide you want to make a precision airplane parts. So I knew that there had to be some more to that backstory. So you and your brothers sold the business in 2014. Let's talk a little bit about that exit strategy that you guys have an intentional strategy to sell the business, or did you did it one day? Something just as we say, fall in your lap,

Randy Haran (4m 49s):
It's funny you say that Tom, and in 2005, prior to that, I was kind of at that typical owner where it was my baby, it was about me. I was going to, it defined me. It was all me, me, me, me, and then 2005. I went to an emanate seminar, ended up sitting in the seminar. It's an aviation companies. These guys, you know, get you there and they kind of educate you and they're looking for candidates to sell and everything I thought you should act as an owner was way you're not supposed to act. It was more like an epic, you know, where you would attract an economical buyer where you weren't having forecasted financials like a proforma. You were basically working off your tax returns.

Randy Haran (5m 30s):
You know, you were talking about yesterday, everything in the, in the rear view mirror. And so I'm in there and it just says the emotional guy, the guy that it's about him gets less the guy that makes it more about the

company, the company being the product and cause that's what they're buying. They only going to have you around as an owner for a short period of time, as much as they need you, but ultimately that's their, that's their company and they're going to do what they want to do with it. So that's so that M and a seminar really slapped me upside the head. And then at that time, I and O six reached out to an M and a merchant acquisition type company and looking for a guy that specialized in aviation and that's guy, I found he ultimately is the guy that sold my company.

Randy Haran (6m 11s):
So, and he educated me on the fact that if I wanted a seven to 10, multiple, you needed to be around $5 million from an EBITDA standpoint. So that was so he kind of gave me that go of how I needed to run the business and what I needed to focus on.

Tom Bronson (6m 28s):
Well, it sounds like a attending that event. And what did you say 2006, 2005, 2005. I mean, that was kind of a pivotal event for you. So many business owners, even today that I talked to say, oh, my, my business is my baby. Well, okay. I know that you care and feed it, right. You know, care for it and all that, but it's an asset, you know, it's really something that, that you should be thinking intentionally about improving the value of the asset. And when you treat it like your child, then, then sometimes you don't do that. I can tell you, even with my own children, sometimes I'm, I'm protecting them more than, than I'm trying to help them grow.

Tom Bronson (7m 11s):
Right. It's a that's it sounds like that was a great pivotal event. And then you met somebody, you know, shortly thereafter that you had an eight year relationship with then before you actually sold the business and getting that great advice early is, is such a, an integral part of a successful transition. Well, what was the trigger in 2014 that made you guys decide, okay, it's time. We're ready.

Randy Haran (7m 38s):
We are, our business was getting close to that $5 million EBITDA. Also. We'd kind of done a dance in 20 13, 20 12, I guess it was 20 12, 20 13 timeframe with another company that had kind of kinda came and was interested in, unfortunately we didn't sell to them at that time, but we at least got to go through the dance and kind of do a dress rehearsal on the due diligence process. You know, what type of questions to expect, what kind of waves we should think about things. And so, and then other, some of my other partners were kind of keen on wanting to sell, but I, I did want to do a, kind of like an emotional sale or just, I'm tired.

Randy Haran (8m 18s):
I need to do go something else. I wanted to do more of a strategic type sell. So that's kind of where everything kind of came together in 2014 from our revenue, from our profitability to the market. And just kind of, kind of all kind of came together at that time,

Tom Bronson (8m 34s):

Harmonic convergence of kind of all of the elements in the right place. So, so the 2014 was the transaction time. About what time of year was that? Do you recall?

Randy Haran (8m 46s):

We sold it in December. We sold in December and these guys had done a drive by before, but when they'd done the drive by before they were more active, like financial buyer instead of the strategic buyer. So when they had to drive by before and in 2013, I had, I had told them I wasn't interested in a financial sale, so I would have no sense for us even having a conversation, but they ended up, I saw them at a conference in April late, April of 2014. And I, and I told them that I planned on going to market in the fourth quarter. And then like the next week I had the CEO wouldn't have dinner.

Tom Bronson (9m 25s):

Of course. All right. So you just gave me a new term and I love that a drive by, right. I hear all the time from business owners. Oh, my business is gonna be so easy to sell because people call me all the time wanting to buy my business. And, and I've explained to them that if you're, if you're breathing and you actually have an operating business, people are calling you and they're not necessarily buyers. A lot of times they're, they're just fishermen. Right. They're looking for something to sell or, you know, just kind of gauging interest. Sounds like your drive by originally turned into a great opportunity to sell the business. But, but were you getting lots of calls before you decided to sell?

Tom Bronson (10m 8s):

I mean, during those years, between 2005 and 2014, were, were folks calling you wanting to buy your business?

Randy Haran (10m 16s):

Yeah. It's funny you say that, Tom. So yes, I would get the, I would also always get the economical buyers. They would always kind of, you know, touch base and, and, and drive by. But my, my line was, I just always say, well, you know, I'm just kind of waiting another five years. I just gave him the same old line. Cause I didn't really know. I just, that's just a, that's just a line that gave him when I, you know, when, when they would do the drive-bys.

Tom Bronson (10m 39s):

Yeah. That's, that's great. So many, do you know, I think if you put a hundred business owners in a room and individually asked them, when do you want to sell your business? The, the 98% of them are going to say three to five years, three to five years. But the problem is, is most business owners say three to five years for an average of 17 years before they actually go and do something with it. So I'm glad you didn't go that long saying that, but so your process, you, you mentioned this in April and then the CEO wanted to have dinner with you. So it really went from about may to December, right? So what is that? Seven, eight months,

Randy Haran (11m 19s):
Right? Yes.

Tom Bronson (11m 19s):
That's excellent. Now, did you, you mentioned already that you had an investment banker or somebody that M and a advisor to help you. What, what did the rest of your transition team look like? I mean, did you have attorneys, CPAs, financial advisors, all of that stuff,

Randy Haran (11m 34s):
Man. I had a great team and I'm glad you asked me that question because back in oh six through the entrepreneurial organization, we were teamed up with a YPO and I was able to meet a mentor and, and that particular individual introduced me to another guy that was in YPO that would ultimately be my business advisor. And he would help me up from oh six all the way to 2014. There was like a one-year where he got caught up doing some other business, but he came back. But yeah, towards my last year or two years in business, he was kind of my, my fractional CFO and my business advisor and, you know, would be at our board meetings and he was an advisor to the board and he had a financial background.

Randy Haran (12m 23s):
He'd also taken companies, public. He bought and sold companies. He's, what's very, very well first and pretty much anything and everything. He became the quarterback. So he kind of was the front guy and I'm gonna call him, come to strategy guy. Then we had a, and he's kind of one introduced me to the attorneys that he had worked worked with in the past from an M and a specialty. And so we had a special M a attorney, but we also kind of had a junior attorney, you know, to kind of level out the hourly rates and that kind of stuff. Then I had my accountant, my accountant was, was amazing and I'll even have a better story for him later in the podcast or whenever you're ready for that.

Randy Haran (13m 8s):
And then I also had one of my board members who had a company, he kind of ran his business at my, at my facility and he was one, he was one of my vendors too. He kind of ran their due diligence. So he ran the data room and ran all that. So, and then am I am the advisor? So it was, I mean, from a team standpoint from me, not necessarily being involved in the day to day and being able, because as you well know, a lot of founders and CEOs, when they go through them and they process, they become, they get dragged into it. And if they don't sell the company, a lot of times their business suffers because of it.

Randy Haran (13m 48s):
And I did not have that problem. So from a team standpoint and ultimately getting the deal that we got, that was that group.

Tom Bronson (13m 57s):
That's awesome. Well, I, so I have to ask, I mean, unless you want to talk about it later, I have to ask, tell me the story about your, was it your accountant that you said you had an interesting story about

Randy Haran (14m 7s):
He, we had a quality of earnings audit and they couldn't find anything.

Tom Bronson (14m 13s):
Wait a minute. Did they, did the buyer, did the queue have a QV? Okay.

Randy Haran (14m 17s):
Yeah. And they sent some, he said some, I don't know how many accounting firms we're still at the big six or big four big three or what, but they had gotten some of those guys and guys that specialize in going through the financials and the de-valuing the company and my business advisor, the quarterback and the account did the dance. And it was just, you know, they couldn't find anything. So they just got slapped around and it was, it was, you know, I was told that's very rare. So again, making previous decisions, I think we had an oh eight, we have had a partnership, a breakup, and part of the breakup was a buyout of partners that were leaving.

Randy Haran (15m 2s):
And part of the agreement was that we had to start doing a third party audit every year. And so that, so from that perspective, but also we had, we changed banks in 2013. So we had a bank audit that we had gone through from our, our inventory was clean Crispell paperwork, market data to support the pricing and all that kind of stuff. So it's just, we were just kind of ready to be sold. I mean, you couldn't have asked for a better, a better, I don't know, a better situation.

Tom Bronson (15m 35s):
Well, I got to tell you though, that's, it's a smart play, too many business owners really don't have that whole team approach now and say, you mean, you got a board member on there, your fractional CFO, attorneys, accountants, all of this. And of course the investment banker did, did you all meet together kind of regularly during this process? Or was it you, you had your CFO quarterbacking the deal, was he just coordinating it or did you all get in the room and talk about things a lot?

Randy Haran (16m 3s):
When we, when the, I'd say the, the team that would get together and coordinate would be the quarterback M and a advisor would, and, and myself, the board, the due diligence guy and my brother that was kind of the team. And we would reach out to other people, but, you know, during the Q and a that's when the account and shine the, the M and a lawyer, the lawyer shine during the final negotiation process. So everybody kind of, but the consistent team was the quarterback, the M and a advisor, and the due diligence

board member.

Tom Bronson (16m 40s):
You said a mouthful. I just recently had David hammer, who is a, an attorney CPA. He's an M and a attorney. And, and I, I cautioned so many business owners that if they're, if their chief counsel is just a business attorney or a litigator or, or, you know, tax guy or whatever, you really need somebody who's experienced in M and a transactions, because the language is very important in those types of agreements. And you want somebody who really specializes sounds like you had a, a really great guy. Now let's, let's talk about, you had a board member kind of running the, the, the data room, the due diligence process and all of that.

Tom Bronson (17m 24s):
And, and I commonly say that while due diligence on its face value is really the buyer verifying, you know, what the business is and what they're buying. I think that due diligence is really designed to find ways to lower the price, right? It's like that, right. When they do the QB. So I call it the dreaded due diligence process. How did your due diligence go?

Randy Haran (17m 53s):
We had, so because of the dress rehearsal that we'd gone with another company trying to buy us, so we'd already kind of done the dance and the dad ran this company was a, it was a public company that we did the dress rehearsal with. So their requirements, their questions, you know, from all that perspective were pretty LinkedIn detailed. So we've kind of already kind of gone through the, the dance. So, and getting set up, we'd already kind of understood the, the do's and don'ts. So from the actual exit we had, we were ready and knew what kind of already kind of had things in the different buckets that they needed to be in.

Tom Bronson (18m 38s):
That's awesome. You know, so many times businesses aren't ready and due diligence, just drags on and, and having that, you know, what you call a dress rehearsal is so important, right? Getting that stuff ready in advance. So since you'd already been through a process sometime earlier, going through it a second time had to have been that much easier than to gather that data and, and get things prepared. You know, my mom used to tell me, you know, when I was a teenager and just learning to drive that speed kills, right? Don't be driving so fast, but speed kills also in M and a transactions, but meaning the opposite, the slower, the due diligence goes, the more likely a deal is going to fall apart, and it's going to crash somewhere.

Tom Bronson (19m 23s):
And so, so good on you for having somebody kind of running that data room and making sure that you had all this stuff going very quickly. Now, a lot of times from, from the letter of intent, here's what we intend to do to the, to the actual transaction in the middle of there is the due diligence. A lot of times, it, it detracts from value. And that's sort of what I call that retrade conversation. What happened from the letter of intent to where the actual transaction landed, did that add or detract? And did you have that retrade conversation?

Randy Haran (20m 0s):
Ah, it's funny you say that they had kind of, they, they did the old, earn-out the funny money. So they had the initial cash offer, but they added another, you know, millions upon for earnout potential. And so I had a number and they were, they were significantly lower than my number that, that we were going to take from a net standpoint. And so when they came, we, you know, we kinda, we kinda, my quarterbacks that, Hey, let's, let's, let's dance with them a little bit. And just then we kind of danced a little bit.

Randy Haran (20m 41s):
And then we countered, I guess, about 60 days into the LOI or something like that. And we were able to pick up half of the earn-out money, which got to the number, the minimum number that I wanted. And then ultimately, before we actually closed in the last, you know, day of negotiations, we were able to pick up more of the earn-out even get higher. So from the LOI standpoint to the actual agreed upon price, we, we, we, we rose it up, you know, almost 30%.

Tom Bronson (21m 14s):
That's awesome. Now that money was already kind of allocated to earn out, but you were able to get it moved to the closing table is what I'm hearing. That's awesome. No, I tell so many business owners. In fact, I just had a conversation this morning with a, with a fellow advisor who said a piece of advice that I had given him really resonated with a client of his just sold. And it was, you know, they, they had a publicly traded company looking at the business. There was a massive earn-out, you know, opportunity and all this. And I said, look, if you're not happy with the amount of money that changes hands at the closing table, as if you're never going to get another dollar, then don't do the deal.

Tom Bronson (21m 54s):
And he said that that's what actually drove their process. And they were happy with what they got at closing. And they have some earn-out potential. So you still had some earn-out opportunity after you closed, right?

Randy Haran (22m 7s):
No, we had, we had, we had closed it where they, what they, where we got all those, we got about, I'm going to say about 9% of the cash up front. And then over a two year period, we got quarterly payments. What my quarterback had realized. He realized how much money they were going to get from a financing standpoint. So the last major negotiations to go after the second half of the earn-out money, we didn't get all of it, but we got most of it, but he said, we got it for a two year payout would help them because they could use it with cashflow of the, basically the money that were, we were cash loan as a business. So we were able to meet where they needed us to be from a financial perspective.

Randy Haran (22m 48s):
And then after that, there was no, earn-out no nothing. So for day one, it was their baby. And, and so,

Tom Bronson (22m 56s):
Yeah, that's all right. So yeah, there's a big difference between earn-out money and, and escrowed or, or guaranteed payment money and many business owners don't understand that. We, we actually talked about that a couple of weeks ago with, with David hammer when we were talking about that, not all of the post transaction money is created equal. Sounds like you guys did an amazing job of getting that done upfront, so, and good for you for getting that the future money, you know, brought back to the table. So, so, and having that number in mind, right. Knowing what that number is and your shareholders kind of all agreeing on what that number is.

Tom Bronson (23m 37s):
It keeps everybody moving in the, in the right direction. Before we take a quick break. I'd love to know how many employees did you have at the transaction time,

Randy Haran (23m 46s):
90,

Tom Bronson (23m 46s):
90. So how did they react and how did, how did the transition affect them? You know, down the road?

Randy Haran (23m 55s):
You know, that was, if it was a little, little disappointment, some of it, from that perspective, they, you know, once we announced the sell of that company, they had, they, they were kind of caught off. I mean, you know, they congratulate that kind of stuff, but, you know, they always have that. What about me? What's going to happen? What are they going to do? You know, it's always the, the stuff, the unknown that they don't know that your mind starts going down. And, and they kind of came in and they had the famous quote. We're not going to change anything. And of course they did. And they had a big ERP implementation and unfortunately treated my, my two main guys that kind of my director of sales and marketing, and also the director of ops, which were the, kind of the backbone of the success of the company.

Randy Haran (24m 48s):
They kind of put those guys on the sidelines. And it's funny after a couple of two or three years after the bot, they really drove the value of the business down. And again, I shared my financials. So these guys were starting to make my guys accountable to the numbers. And I goes, how can I be accountable numbers when you don't let me look at the numbers anymore? And I, and I, and I got calls from consultants. They use four or five, you know, probably the third or fourth year. And he said, you know, they use your company is what not to do when they acquired future companies, because they had, you had a good, you had a good, you had a good culture, you had a good system, the best reason why they bought you.

Randy Haran (25m 31s):
And they got rid of all of that,

Tom Bronson (25m 35s):
Man, what a horrible story. And, and, but, but not an uncommon one. You know, you mentioned that, oh, we're not going to change anything. You know, after in the nineties, I sold a business to a publicly traded company and I went to work for them. And I was temporarily kind of the integration guy. Right. And, and so, you know, they were negotiating deals and they'd go buy a company and, and telling them all, we're not going to change anything, blah, blah, blah. I was the guy that arrived the day after the transaction to meet with the employees. And, and my, my common line was, I know they told you that, that we're not changing anything.

Tom Bronson (26m 15s):
I'm here to tell you the truth and here's what's going to happen. And so in of course it was sometimes different reactions. I will tell you selling my company to that publicly traded company at fortunately my employees who were really well-groomed and doing great jobs, kind of threw out all of our, our, our operation. We were big company in the Southeast and had lots of locations. Many of those guys went on to brilliant careers with them, publicly traded company. Many of them taking giant regional and national roles. And so it was, I was super happy for that, but, but you're right. Things change.

Tom Bronson (26m 56s):
And if any business owner thinks when he sells the business that nothing's going to change, I have a, I have a different story for you. So, so we're talking with Randy Horan and he's a member of the 17% club. Let's take a quick break. We'll be back in 30 seconds.

Announcer (27m 16s):
Every business will eventually transition some internet employees and managers, and some external 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 assistance of our amazing resource network. And ultimately you'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 (27m 57s):
Now, is that time get started today by checking us out at www.masterypartners.comoremailusatinfoatmasterypartners.com.

Tom Bronson (28m 9s):

We're back with Randy Horan, a business owner who's successfully sold his business in 2014, therefore making him a member of the 17% club. So Randy, you, you kind of gave us the story of the transaction and all that before the break. Let's kind of talk about the things that you learned. What did you learn going through this whole process?

Randy Haran (28m 35s):
I guess just from a, it's all about a story, you know, from, if anything, you're telling a story and you're telling a story about your business, and that could be a five-year ten-year 20 year type story. And fortunately, we had always kind of documented an annual plan plan that consists of like sales forecast, you know, financial and operational metrics. Also also talked about what we did, right. What we did wrong. So there was, there was those key things that, that you kind of talked about when you, when we slipped or the business went down at, at, in 2010, it went down significantly.

Randy Haran (29m 15s):
And what did we do to turn the business around, to get the business, to go back up? So that story fortunately was being put together every year, just because the process and the plan was not put together every year by the CFO is put together by, by pretty much the whole company or every employee had an opera, had had a, a role in the development of annual plan. So if anything, I learned you're telling a story and that story is being told. And if, if there's bumps in it or there's, I don't knows or there's, well, I think that's the way we did it. Heck I can't remember.

Randy Haran (29m 56s):
That was five years ago and I just, you you've, you've moved the conversation and the negotiating process to a very just there, and you're not, you got to bring that history and that story and that consistency, and then the ups and downs to the negotiating table and said, no, I, I, this forecast for what you're buying and what we think we're going to do has the data to support it. So the value is what the future shows.

Tom Bronson (30m 25s):
That's awesome. I love that whole story-building analogy. Cause that's really, if a well-run company is, is writing their story year after year, right? And so every year might be a new chapter and every chapter, by the way, it needs to be better than the last chapter. Right? If you're, if you're reading a story. So I like that analogy storytelling. Is there anything you would've done differently knowing what you know now?

Randy Haran (30m 52s):
I think I'm not, would've gone out and an auction, the more buyers I, I knew I got the money I got more than I wanted. So from that, from an ego perspective or gold perspective, I, I got more than I, more than I ever thought I'd get. So box checked, done. Well, however, there's always that what would have happened to the value, if I would have put it out and would have allowed other companies, even companies, I didn't even know, have an opportunity to, you know, to look at us and see if they, you know, what they thought our value

was. I think that would, that would have been interesting.

Tom Bronson (31m 32s):
Yeah. And that's a, that's a whole different process. Right. And I'm sure your banker would have, would have been happy to walk through that. I mean, a good for you guys that you got kind of the number that you were interested in, but, but you never, you'll never know. Right. It's like trying to get, how many licks does it take to get to the center of a Tootsie pop? You know, the world will never know how much you could have gotten, but you know, a well-run auction process, they call it a hate that term. But a well-run process to sell a business is always going to deliver, well, not always, but many times it's going to deliver a different result, you know, and it's unusual to have a one buyer and see it all the way through. You know, in fact, one of my mentors always says, Tom, if you have one buyer, you have no buyers.

Tom Bronson (32m 16s):
Right. And, and, but you had a truly interested buyer, somebody, a strategic buyer that really was interested in the business and you guys set your goals and you did that. It would have been kind of an interesting side note to know, you know, you almost wish can I turn back time and see what would have happened if I'd done this differently and you never know, maybe you got the best deal possible, right. And but many buyers or sellers out there think that they already know who the buyer is. And a lot of times it's people who you've never heard of don't know anything about and, and who are interested in your business, your sector, your, you know, whatever it is that you do.

Tom Bronson (32m 57s):
And, and the value of a business is really in the eyes of the buyer, right? And it's, he's buying future cashflow based on past performance and what he can do with the business. And you never know when a buyer is going to really pay up because you've got something that he really wants and it may not be a product. It may just be a process. It may be, you know, how you do things. It may be the culture, which unfortunately, which was one of the things that attracted this buyer to your business. And unfortunately they destroyed over time. Yeah. That is a, that is a great, you know, it's interesting. Right. That's what we bought and then we turned around and killed it.

Tom Bronson (33m 39s):
So, so a very common story. So, so knowing these things, the things that you've kind of thought about in retrospect, what advice would you give to business owners who are looking to transition their business?

Randy Haran (33m 55s):
Yeah, it's about building a story. I've touched on that. I, you know, I tell them, you know, go out and look at other companies, pay attention to when they get sell, reach out and find an M and a guy talk to them. And a guy, I would send my financials to my MNA guy annually. He kind of tell me what was hot, what wasn't, what he was seeing just to constantly, you know, it'd be, you know, maybe a 20 minute phone call or I'd see him at

an annual conference and he'd just swing by our booth. And he, and I would just have a little download. And, you know, from that, I think you'd even said it, the, the importance of having an M and a lawyer, and it's not, it's not your day-to-day corporate lawyer or your labor lawyer, you touch that real real well.

Randy Haran (34m 41s):
So having that, also having those third-party audits and, you know, getting, you know, it's, it's, it's more, it's more expensive, but it's that third party that's already going through a process and putting stuff together. And our accounting firm, when they would go through their third-party audit time, they would kind of come up with what they thought our business was worth. So that valuation and understanding the valuation, things that are in the evaluation, what makes a company more valuable from a marketing ability and stuff like that. So I just think the more you can get more involved, not involved, but more, you get educated on the process and what's out there because you well know it's, it's, it's a whole new world, a whole new industry.

Randy Haran (35m 26s):
It's the M and a part. So you might be the best at building, you know, the, the car, but selling the business to make cars is a whole different thing than making

Tom Bronson (35m 39s):
Exactly well. And that really goes back to the point I raised earlier that, you know, business owners will say, I'm going to sell in three to five years, but they'll say it for 17 years. I think that the reason that they do that is that they're not educated. They haven't taken the time to really understand what the business is worth. What does that, what does an M and a transaction look like? How do I get my business ready? Those, because they're really good at making widgets or stirring the sauce or whatever it is that they do, they're technologists. And they don't give thought to what, what, how can I present this business to a prospective buyer and, and maximize the value of this business and what buyers look at businesses.

Tom Bronson (36m 20s):
I tell our clients all the time, we need to overhaul your financials from the perspective of a potential buyer. You know, I know you, you're used to seeing the six page P and L statements, but a potential buyer doesn't want to see that they want to see things categorized and lumped in and understand trends and things like that. But it's those, those things. And I think that that's what delays business owners a lot is just not knowing what to do. And that's why we're here right. At mastery partners. So didn't mean that to be a, a, a, you know, a, a commercial for our business, but let's transport back just for a second back to 2014.

Randy Haran (36m 57s):
Okay.

Tom Bronson (36m 57s):
And sitting at the, sitting at the closing table and leading up to the closing table, you knew it was coming. Did

you have any idea of what you were going to do next after the sale?

Randy Haran (37m 7s):
No, I, I, I was, I, when I saw that as a picker topic, I was happy that you were going to say that that's something I would do different. No, I D I was, I was, I was kind of gleaning in all my excitement, drinking my own Kool-Aid and just, you know, just excited and not really knowing what to expect or what to do. My quarterback slash business advisor had really, he, he got me ready. He goes, you're, he goes, you're kind of get upset because they're getting ready to take your business. And they're going to point out some things that aren't to their liking that could be your, to your liking. And you're going to take that personally. And he goes in your, and he goes, if they can suck you in and kind of re redo part of the deal and get more of an earn-out or get you in Bob, that kind of stuff, he goes, they will.

Randy Haran (37m 57s):
And he goes, you really need to reign in the emotion. And he goes, he goes, so you just, you need to be prepared that you're getting ready to be told you didn't know what the hell you were doing. And, and, and so I was so just clueless. And then after that, I kind of really, you know, you get this money and it's, it's more money than you've ever seen. And, and of course, you know, there's people out there wanting to borrow the money or want you to invest in this or invest in that. I kind of, if I did it again, Tom, I probably would have had more of a proactive approach into a investing into a business that I, I don't, I was so kind of burned out that I really didn't want to jump into a 40 hour week again.

Randy Haran (38m 41s):
But I, now that I know, and kind of where I am now after the sell, I just think I would, if I had a business and I, and I worked on the business and would have had somebody working in the business, I think that I would have been a better position. I think I wouldn't have made some of the mistakes I made in, in the wrong people, money or invested in the wrong businesses. So I didn't have a plan. And even though I'd gone out and gotten all these other people to help me sell the business and done a very good job, what I didn't do is get somebody that already sold the business and kind of start listening to them and have them mentor me. That's the, there you go. That's the mistake that I made.

Tom Bronson (39m 21s):
That's a, that's some great advice, but I got to tell you your fractional CFO kind of telling you be prepared, because they're about to tell you your baby's ugly. And, and, but it, because here's the thing, it's almost a trick of the trade, right? They want to get your emotional, right. And, and, but the, the more you can take emotion out of that, I got to tell you of all the things you said here. To me, that is one of the, one of the top five things of this podcast is when it gets to the end, it's going to be emotional, unless you're prepared for that and can get your emotions in check. And when it gets emotional, that's when deals fall apart. You know, a lot of, a lot of times I was talking with, with actually one of our clients, it was a similar situation.

Tom Bronson (40m 6s):

You know, you had somebody do a, you had your dress rehearsal, you called it earlier. Well, somebody approached him, wanted to buy his business. And they went through almost a year long, you know, process of due diligence and kind of all of that. And at the 11th hour, the buyer came in and literally, you know, three days before closing and wanted to make some adjustments in the re-trade conversation, I call it and, and the owner got so emotional that he walked away. I was just made him mad, right. For, for a long time. And, and I asked him, here we are, I have the benefit of five years between that time.

Tom Bronson (40m 47s):

And now I asked him the other day. I said, you know, knowing what you know today about the process and what it looks like, and knowing that that retrade was probably coming in there, would you have sold if, if it was unemotional, would you have still taken that deal? And he said, without a doubt, it was still a good deal. I said, well, that's you, you just weren't prepared for the emotion. So good on your fractional CFO for getting you prepared for that emotional piece. Well, what are you doing now, Randy?

Randy Haran (41m 21s):

Well, we're

Tom Bronson (41m 22s):

Eight years, by the way. It's ironic. I just did the math. You know, it was eight years from when you went to that MNA seminar until you sold the business. And now it's eight years since you sold the business. So now,

Randy Haran (41m 33s):

So I, I, I, I just recently picked up a company that I, that I've been doing some fractional consulting with. So doing some fractional CEO work and the guy, he had $8 million company and he's doing well. I mean, you know, and usually when they ask for third parties to come in and help them, it's because they're doing terrible, but he's, he's, he's, you know, trying to get his business. He wants to, you know, get up, get up in the 20 million plus club. And he just, you know, fortunately has reached out and wants to, you know, get some assistance in that. And I still do a lot of mentoring, Tom, I, I'm still part of the entrepreneur organization. So I, I mentor, I've got 11 businesses that I mentor monthly and, and that's kind of my give back that kind of keeps me fresh and keeps me up constantly appearing new challenges that entrepreneurs are having.

Randy Haran (42m 25s):

And I'm, you know, hopefully I'd like to, of course, I'm going to, I'd like to pick your brain a little bit, trying to do some podcasts. And from that perspective, so that's kind of what I've been working on now. And I've gotten better at zoning in is, you know, as entrepreneurs, we love to chase the shiny pennies and I'm the king of that. And so, but now I'm really looking at for the last, you know, part of my life. And what I really enjoy is very similar to what you do is, is to give back and to help entrepreneurs be successful and to be in that 17% club.

Tom Bronson (42m 59s):
Yes, that's, that's my goal. I want everybody in the 17%, cause I want to make it the a hundred percent club, right. That every business owner can do that. And I, I love that about you, Randy, you're the entrepreneur organization. You mentioned a couple of times here. It's a, it's a, just a fantastic organization and there's other organizations like it, but, but you really should be kind of a part of a peer group. And, and, and EO gives a great and, and YPO gives great opportunities to, to be able to do that. And I'm so glad that they have smart people kind of advising their entrepreneurs. That's awesome. Well kind of one last business question here, you, man, I'm sitting here thinking about all the wisdom that you have just showered upon us today, but I have to ask you if there was just one thing, if you had to boil down all of your advice to one thing that you wanted a business owner to do, of course, this podcast is all about maximizing business value.

Tom Bronson (43m 54s):
What's the one most important thing that you recommend business owners do to improve value of their business,

Randy Haran (44m 1s):
Put the weed before the may the, we as the company, the me as you, if the weed does well, you having equity in the, in the, we, you will do very well in the meat when you sell the business. So when I realized that the business was a product, and you had mentioned that an asset, an asset, that's going to leave me one day, but it should get me a lot of money based on the sell of that asset. And just it's, we got to put that ego in play. And I mean, we're the longs in the backseat of the car and not the front seat regarding definitely don't let it drive the car. And so I would just tell them, it's not about you, it's about the company.

Randy Haran (44m 43s):
I know. I'm sorry. I, I know you're smart. I know you're the best business guy in the world, but I'm sorry. That's the truth. So,

Tom Bronson (44m 52s):
No, that's, you're absolutely right. It's about the business and, and it's not your maybe all right. I have to ask a bonus question. And most of our listeners listen all the way to this point because they want to know. And I am really curious to find out what personality trait has gotten you into the most trouble through the years, Randy,

Randy Haran (45m 12s):
Trying to be everybody's friend,

Tom Bronson (45m 14s):

Really

Randy Haran (45m 16s):
Definitely. And just being, just, you know, always trusted what people said and I got it. I got that's what got me in trouble with the partnerships, just trying. I just wanted everybody to be an entrepreneur to bomb. And I just thought if you had equity and regardless, if you paid for or not, you would just be naturally, you would be an entrepreneur and you'd think like an entrepreneur and act and feel like one. But what I found out was you gotta pay for it. You can't just get a house, you have to pay for the house to take care of the house, you know, or the car, it's just, you know, the rental car, you're treating rental car different than you treat the car.

Randy Haran (45m 56s):
You're paying for it. And as much as I wish everybody could have that feeling that you, you know, is what I'm talking about as well. What it's like to be an entrepreneur, what it's like to thank you the hell with this. I don't even know why I wanted to do this that day. You want to quit. And then it's the next day that something happens and you say, damn, no, I'm not quitting. I'm going, we're going, we're going, you know, I don't know how I'm going to make payroll this week, but we're going, we're going. So anyway, got off on a tangent, but just, I just, I, I made some mistakes where I just was too nice about something. And I don't, I hate to say the word too nice. I just said that there's certain things that have to be earned and equity is one is one of them

Tom Bronson (46m 39s):
And trusting people. I think it goes to that, you know, I can look back at my past. And to me, that wanting to be everybody's friend kind of goes to that whole trust issue. You know, so many people tell me, well, you have to earn your trust with me. I trust everybody at face value until they prove otherwise. And, and, and once they prove otherwise it's impossible to regain my trust. Right. And so, so, and I've been in some business situations that turned out just like that. Wow. You, that is a great answer to that question. I really appreciate you sharing that with us. How can our viewers and listeners get in touch with you,

Randy Haran (47m 17s):
Randy, at penny strategies.com.

Tom Bronson (47m 21s):
Awesome. That is a great way to do that, Randy, thank you so much for giving us your wisdom and being our guest today.

Randy Haran (47m 28s):
Thank you, Tom. I appreciate it. This was, this was a honor to be a part of your show and thank you.

Tom Bronson (47m 33s):
You're quite welcome. So you can find Randy Horan on LinkedIn, or of course you can always reach out to

me and I'll be happy to make a warm introduction. 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. So you'll know every time that there's a new episode, by the way, our regular listeners, if the episode earlier than if you found this happy happenstance. So you'll, you'll be kind of the advanced team. If you follow this podcast. And by the way, if you know someone who's exited their business successfully and therefore a member of the 17% club who would like to be interviewed on this very podcast, be sure to reach out and let's schedule a conversation.

Tom Bronson (48m 24s):
So until next time I'm Tom Bronson reminding you that it's never too early to start planning your own ideal exit while you maximize business value.

Announcer (48m 39s):
Thank you for tuning into the maximize business value podcast with Tom Brunson. 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 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.

Tom Bronson (49m 26s):
That was perfect. I wouldn't make any changes.