MAXIMIZE BUSINESS VALUE PODCAST - EPISODE 248 Transcript

Tom Bronson (1s):
Welcome to The Maximize Business Value Podcast, brought to you by Mastery Partners, where our mission is to equip business owners like you to maximize your business value and achieve the exit of your dreams, whatever that means to you. With insights gained from over a hundred business transactions, we share real-world strategies, lessons, and expert advice to help you build long-term sustainable value in your business. Each episode is hosted by one of our Mastery-certified partners, their seasoned experts who've helped countless business owners navigate the complexities of growth, scaling, and building value.

Tom Bronson (45s):
They bring firsthand experience, actionable insights, and a passion for helping you build a business that thrives. So, let's dive in.

Dave Casey (57s):
Hello everyone, this is Dave Casey again. Welcome to Maximize Business Value. Now, this is a podcast that we put together specifically for business owners who are serious about building long-term sustainable value in their business. So I'm excited today. This is, doesn't happen very often. We have today ready to introduce you to David Brown, who's one of our newest certified Mastery partners. So, David, welcome to the podcast.

David Brown (1m 25s):
I appreciate it, Dave. It's great to be here.

Dave Casey (1m 27s):
So this is, this is, like I said, we, we, we, we, we interview each other a little bit, you know, from time to time, but we, we don't often get to, you know, dive deep on what we're talking about. So, for our viewers, can you fill us in a little bit about your background and how you got to where you are today, so well?

David Brown (1m 45s):
Absolutely. So very excited to be a part of the Mastery Partner team. And I guess I would trace my entrepreneurial roots back to I'm the son of an entrepreneur, and I think that's how a lot of us start. You know, we have dads who kind of inspired us with visions of building things. And when you grow up in a family business, you don't have illusions that it's not hard, but you see how meaningful and inspiring the work is. And so I had a dad who inspired all of us, family vacations, took us around the business, spent all my summers in high school and, and working in the business and, and then ultimately spent the first nine years of my career working with him. So that's, that's really where it started. Wow.

Dave Casey (2m 23s):
Now what type of, what type of business was that? Yeah,

David Brown (2m 25s):
So it was a company called Trite Structures, and they started out doing metal buildings, started in buildings, Montana, moved to Hastings, Nebraska, and then one day a farmer said, Would you build a home for me out of steel? And my dad said, Well, we can do that. And so basically used a metal framing methodology to build a residential structure, and suddenly people said, I want one of those two. And so ultimately became a 130 employees, all 50 states and 43 foreign countries. I mean, it was, it was a great thing. And it of course, lots of benefits to steel construction. Yeah. But that's, that's what I grew up in and still know a fair bit about it. Wow.

Dave Casey (3m 3s):
Well, now I gotta put that in my memory bank.

David Brown (3m 9s):
Absolutely. That might be some, some questions, but I have, especially the day you have termite issues, that's when you start really, really taking much.

Dave Casey (3m 14s):
Wouldn't it be nice?

David Brown (3m 16s):
Exactly. But, but my career, you know, I've spent a third of my career, a 30-year career with the CEO hat on, about a third with a COO hat on, and about a third withan A-C-O-O-C-R-O hat on. Wow. And then a small stint as a CFO. And so I think that just means I'm a pretty good generalist. Csuite. I probably sat in all the seats as it relates to

small businesses; all except one firm had 150 employees or fewer. And so it's always been in a, in an entrepreneurial lane. Yeah. And that's what I, that's what I really enjoy.

Dave Casey (3m 49s):
Wow. That's incredible. What a great, what a great complementary background for what we do at Mastery. I mean, that's, you, you, you have experienced it all. And that's, that's tremendous. 'cause you know, I kind of grew up on the sales side of the world and had my own company for many years, but I had a business partner that really took care of the financial side and, and some of the banking relationships and all that. And I was really focused on sales and marketing and the technical side of things. So I have great admiration if you've sat in all those seats and have all that experience. That's really strong. I mean, that's, that's

David Brown (4m 26s):
It. It, it, it really does help in the sense, whether it's consulting or, or mastery partner coaching. I can empathize.

Dave Casey (4m 33s):
Oh yeah.

David Brown (4m 33s):
I've probably been in that seat. I've probably, whether it's how are we gonna make payroll, how are we gonna handle this growth? You know, what would an acquisition look like? I mean, just some of that standard stuff that entrepreneurs are like, man, I just haven't, I didn't go to school with this. You know? Yeah. And so I've, I've, I've probably had the, the, the privilege or the, the struggle to go through some of that. So Yeah.

Dave Casey (4m 53s):
Yeah. That's, wow. That's what builds, as they say, it builds character, builds character. Yeah. Yeah. So let's dig a little deeper into the company that you exited most recently. Sure. I know it was, it was in the technology space, right?

David Brown (5m 10s):
It was. So it was a company called Teknion Data Solutions. And we were a data and analytics consultancy. And so two technologists started the firm in 1999, and they were awesome people, still are awesome people. And built a business to about 3 million in revenue, about 17 employees, did phenomenal work, but just weren't growing. And really neither of 'em had a real strong sales background or, or maybe just a universal business background. Yeah. Met them, inspired by them, inspired by their vision. And so

joined the company in 2013. First question was, you want to grow, but what does that mean? Like, how would we define success? And they said, boy, if we could eight x the business in an eight-to-10-year time period, then step back and say, do we wanna keep it?

David Brown (5m 54s):
Do we wanna sell it? That would be a definition of success. And so I joined in, and again, God's grace was, we did it, we eight times the business over about 10 years, and ended up going to market, ended up selling that business to a private equity-backed strategic and post-acquisition. I stayed for two years of kind of earn out and integration, and then at that point just tried to decide if if I was having fun and if this is what I was inspired to do. And it was a larger firm, about 650 consultants at the time, and private equity-backed. And I'm a small business guy. And so made the decision last fall to, to leave that seat and spend a little time in pretty places holding my wife's hand, which was amazing.

David Brown (6m 36s):
And then came into this year largely doing this kind of stuff, just working with entrepreneurs and small business CEOs, helping to grow and scale businesses. So,

Dave Casey (6m 46s):
Oh, well, it's what a blessing to those that you will coach and have coached. So that's, that's really cool. I like that. You know, and the fact that, that those individuals understood that they weren't the ones that were gonna to really generate that eight x that, that they needed a, they needed David Brown in there somehow. That's pretty, yeah.

David Brown (7m 7s):
And I couldn't have done, you know, I could not have done what, what they did, you know, they built data warehouses and software development, really technical, geeky kind of stuff that, that would not have been me. So the partnership was high trust, and we had a common vision and Yeah. And, and one of the unique things, if I can dive into it a bit, is we started out on this growth curve, and of course the first thing we had to do is create a growth culture. And, and so really focused on inspiring people on how we want to grow, why we wanna grow, what it will mean to grow. Did it, you know, we, we forex the business, but what was happening is we were growing top line, we were shrinking bottom line. And we kind of rationalized this, well, we're just investing in growth, we're investing in growth.

David Brown (7m 50s):
And at some point, you know, that will

Dave Casey (7m 52s):
Come. That will come. Exactly.

David Brown (7m 54s):
Exactly. And, and $24 million nonprofits are not valuable. Right. So we had to turn it around. And that's when we came across this concept called the Great Game of Business or open book management. Yeah. And I can dive into that if you want to, but it, it refocused our goals and our, and our people and our metrics around bottom line instead of top line. Yeah. And by the time we completed that last doubling, we had our EBITDA percentage back up at a, at an all time high. Wow. And we were able to sell at a, at a high gross and a high net. And, and it was phenomenal. So I'm, I'm, I'm kind of an evangelist around the great game. Pretty, pretty excited.

Dave Casey (8m 31s):
See where you would be. Yeah. And that, and that's, you know, sometimes that gets lost in the translation. And I think particularly for, you know, I was in a technology company as well. The difference were that was, I guess, that my partner and I were in that business. We were both had business degrees. We didn't have technology degrees, although I was pretty geeky. And I did a lot of the, a lot of the setting the course and strategy of where we're gonna go, what, what type of, what type of technology we're gonna be deploying and, and where should we do next. And, you know, we're making good profit here, but that's not gonna last very long. Nothing lasts very long in the technical world, you know, there's always a new something. So I, I was fortunate enough to have make those kind of decisions, but I hadn't, I wasn't as focused as, as you described on the bottom line, I was thinking like many small business people is, well, I, I've gotta get to a certain size to be consequential, so I'm gonna, I'm gonna sacrifice everything to get to 10 million in revenue, then to get to 20 million in revenue, or whatever the number might be.

Dave Casey (9m 37s):
And I think we lose sight sometimes, or definitely our, you know, when working with our clients, you, you've gotta do that profitably or it's, it's probably, you may dig yourself a hold that you, you can't get out of, you know, you may have built something that's

David Brown (9m 52s):

Tough. And we were on that path. I mean, we were, everything was focused top line. We were so excited to be growing. Yeah. And then suddenly realize it. And, and where it really, where, you know, where the road meets the road is, we created incentive plans and bonus plans touch top line. But if you're growing top line and you're not growing profitability, you suddenly find yourself creating bonus plans. You're struggling to fund. That is a red flag. Yeah. And that was the point where it's like, okay, we can't excuse growth with lack, you know, for lack of profitability. We're gonna have to figure both out. And, and that's when we, we kind of embraced, we're gonna re-engineer our business around bottom line. We're gonna become transparent about how our business makes money. Are we making money and create kind of a universal profit share across the organization?

David Brown (10m 36s):
Everybody's gonna know how we make money and they're gonna be rewarded for us making money. And it, it was just absolutely astounding the impact and what it did in turning around, we maintained top-line growth, but we suddenly recovered our bottom-line growth. It was, it was really powerful.

Dave Casey (10m 52s):
Yeah. And that's, boy, If you can solve that equation, that is so huge, you know, and we, we did eventually do that. We, we shifted, and I wish I could say it was very intentional, but, but we started, when we, when we got introduced to the concept of key performance indicators and KPIs, we, we, we did, what I think many business owners I've seen do is okay, understand the concept, so I'm gonna track like 60 things, you know? So, and then we started doing that and we realized many of the things we're tracking are meaningless. They're not, they're not helping us make good business decisions.

Dave Casey (11m 31s):
They're not helping us figure out compensation. They're not helping in a lot of ways. So we pulled back and started focus on things that we saw that were either gonna change our direction or change our profitability. And of course, in our world, gross profit was a big one. So we, we ran all of our compensation for, for sales folks and everything around gross profit because they could control that. They couldn't really control the net profit because that a lot of that's us as management. Sure. What we're doing, decisions we're making on how much we spend on insurance and facilities and, and all that kind of stuff. But they could control gross profit. They could, they could make sure that they're out selling what we sold and not giving away the store to reach just to get a deal.

Dave Casey (12m 16s):
You know, that type of thing. And that made a huge difference in our, and, and I don't know if your, was yours kind of incremental or was it Okay, we're, we've made this decision. We started playing the great game of business and, and we just went all in.

David Brown (12m 30s):
You know, we went all in, but we really had no idea what was coming. And if we had known what was coming, we may have been more scared because we rolled it out January 1st, 2020. And so we created unparalleled transparency in our business across our probably 55 or 60 employees at the time. And then of course when COVID hit Yeah. We had significant clients and hospitality and transportation and they went away. Yeah. So in the past when revenues were coming down, when profits were coming down, there would've been about four of us that would've known that we would've sweated in the back room. And the rest of the company would've been uninformed and nervous, but they just wouldn't have known, you know, what was going on.

David Brown (13m 11s):
And we would've played that tension of how much you share what's too much. Because we were playing the great game, people were seeing the numbers real time. Wow. And so, but what that did is because they were informed, because they were incented, because they were involved, they suddenly started brainstorming around, well, I can't get on a plane and find a new client. So what are we gonna have to do? I'm gonna have to grow existing clients. So suddenly our technical people became very entrepreneurial. They started growing existing clients, which was our only revenue for increasing revenue at the time. Then suddenly everybody started understanding that, wait a second, the, the profitability of a dollar sage is more than a dollar earned. 'cause there's no cost to get sold on it.

David Brown (13m 52s):
So suddenly everybody didn't need to do laptop this month. And they started playing team sports because they were watching was, so we ended up going from a decent level of, of profit share, COVID hit. We went down to, I think one, and then by the time we finished the year, we exceeded both gross and net goals for the year. A hundred percent because of the team rallying around what it would take for our business to make money in that environment would not have happened if, if that had not been the case. And so it, it was, it was a game changer for us. Yeah.

Dave Casey (14m 26s):
No wonder you're an evangelist for that. That's amazing. I

David Brown (14m 28s):
I'm an evangelist for it. Yeah. Yeah. What's really cool is, obviously it, it helped us understand, not just as owners, we understood the numbers of our business. Yeah. Everybody in our company understood the numbers in our business. So when we went to market, well, due diligence, they wanted to, obviously due diligence is, is painful. And they wanted to look at every number in the world. They wanna talk to lots of people. And everybody they talked to in our business understood how our business made money. Yeah. And we understood our metrics because they were transparent. Yeah. And so they actually communicated that they, they paid more for us because of the maturity of our data and analytics and because of the great game. But of course, being intrigued with something is a whole different measure than adopting it.

David Brown (15m 12s):
And so they let us once, you know, post acquisition, they said, we're gonna let your division continue to play the game. We're just gonna watch you. And they watched us from April to the end of the year; they ended up deciding to roll it out across the entire mothership. And so we rolled the great game of business out across three business units and across over 500 consultants, and got to run it that way for a couple of years before I left. And so does it work a small scale? Absolutely. But can it work at Midscale? Absolutely. Wow. Because at the end of the day, it's an incentive. It's an incentive. Yeah. It's infor it's information and it's, it's influence.

Dave Casey (15m 50s):
Well, and I think you touched on it earlier, I think it's the, the, open communication that, that people aren't just working a job. They understand entirely the big picture. They understand, you know, their roles, responsibilities, contributions, costs, and everything as well as everyone else's. Absolutely. So how do you resolve, or did you run into this issue where you've got, maybe you've got a group, a work group that they're doing great. I mean, they're, they're, they're focused on it. They're, everything's controlled. And you've got another group that maybe they got the, the, the Theri Corps.

Dave Casey (16m 30s):
They're ready to do it, but they're just not executing as well. So their costs are higher or their results are a little off from that. And, certainly there's competition between groups within the company. So how do you, how do you resolve that? That you're, you don't have buddy point, Hey, that guy's taking too many people to lunch, or, you know, whatever the situation is.

David Brown (16m 49s):
You know, I mean, honestly, transparency is phenomenal. Accountability. Oh. You know, I mean, If you think about it, like if you, If you want your kids, if the expectation is they make the beds, if you stop checking whether they made their bed two weeks in, they're not making their bed. Right. Right. People tend to, to do the things that have eyes on it. Yeah. In a transparent environment, you don't even have to say anything because the numbers are on the board. Yeah. And so when your numbers aren't up to par, you're asking the question of, well, what do I do to change that? And there's 10% of people that don't want to operate in a transparent, accountable Right. You know, environment.

David Brown (17m 30s):
And that's okay. 'cause there are lots of places where they can go and they can, they can thrive. But 90%, especially at a small business entrepreneurial level, they want to grow. Yeah. They want to excel, they want to. And and so they just embraced the accountability that came with transparency. And I'll be honest with you, the, the, the accountability driven by transparency is not just at an employee level. Like owners become accountable to some extent. Right. Because if I make investments today that are gonna lower pro, lower profit share for this year to increase profit share for next year, that affects everybody's bonus and they see Sure. So it's not a democracy. I still get to make any call I wanna make. Yep. But it does force me to think through and articulate the strategy of why enterprise value is a long-term game.

David Brown (18m 14s):
Yeah. It's not a short-term game. And so the first year, everybody we game, you know, gamification changes behavior, suddenly nobody wants to do any training anymore. You know, they don't, well, they don't wanna do employee, you know, appreciation stuff, right? Yeah. Because we can just increase our bonuses. Well, that's not gonna help the culture and that's not gonna make us better. And so you really have to preach, despite the incentive, it's really a long game and we want to be investing in next year's bonus as much as we wanna focus on this year's bonus. Yeah. Which is good for,

Dave Casey (18m 44s):
And we want, we want everybody to be here next year, you know, a hundred percent, you know, and all that. So yeah. That, that was always a balance that I, I, 'cause I had the same deal. I did not have everyone in the company, well, I did have everyone in the company on some sort of bonus plan, but some of 'em were, you know, it, it was almost an extension of their income. I mean, I wasn't going to deny them the bonus even if we had a tough time. 'cause it wasn't a significant amount. Sure. But there were key people that had significant part of their income was tied up and how well the company did. And

I always was playing this game, and it sounds like you guys had a much easier way but doing this. But it was always balancing.

Dave Casey (19m 26s):
I had like, you know, sales team has, has their own incentives. The technical team had their own incentives, financials, let's say, have their own incentives and, you know, and they, they could, they could work. You know, the idea was to try to get everybody working in the same direction that, you know, and the hardest were, I would say, the back office people. Sure. Because they, they were looking at, well, the easiest way for us to do, to make our numbers look better is make sure those guys over there don't get paid as much. You know? So it's like, okay, now that's not what I meant. You know, so we, yeah. So we had to get into it and make sure that everybody was pointed the right direction and or the same direction. And, and you know, the more I've learned about the great game, it, those things are kind of built into the architecture of it, I think, so that it, it really does no matter what your role is, no matter which responsibilities, what your compensation is, that everybody can see how they fit and, and see that they can, they too can, you know, they can make a difference and they can be compensated for that.

Dave Casey (20m 25s):
So yeah.

Narrator (21m 7s):
Thank you for tuning in to The Maximize Business Value Podcast. This episode is the first of a two part release. Part two will be posted next week.

Tom Bronson (21m 17s):
Thanks for joining us for another episode of The Maximize Business Value Podcast. I hope today's conversation sparked new ideas on how you can continue driving value in your business. But remember, it's not just about listening, it's about taking massive action. Visit our website masterypartners.com for more resources. Grab a copy of any of the books in the Maximize Business Value series on Amazon or via the links below. And don't hesitate to reach out if you want to know how to apply these concepts to your business.

Tom Bronson (21m 58s):
So until next time, I'm Tom Bronson, reminding you to relentlessly execute while you Maximize Business Value.