



MAXIMIZE BUSINESS VALUE PODCAST - EPISODE 58 Transcript

Announcer (5s):

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

Tom Bronson (35s):

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. No guests today. Just me. Haven't done that for awhile, but I wanted to talk to you about why having a well-defined exit strategy is good business strategy. In fact, this is part one of a two part series on why every business owner should take the time to develop a solid exit strategy. Exit planning can seem like a useless process until the business owner decides it's time to exit the business.

Tom Bronson (1m 17s):

After all, why in the world would a business owner want to put himself or herself through all of that effort before it's really needed? Well, let me tick off the reasons. Number one, it takes longer than most business owners think to develop and plan an exit strategy. Number two, improving the value of the business doesn't happen overnight. It takes time. Number three, planning dramatically improves the outcome when the time is right, I could go on and on and on look. A well-designed exit strategy opens the doors to possibilities.

Tom Bronson (2m 3s):

It can provide options where none previously existed. Most business owners don't even realize what options they have for exit, but if they build a genuinely valuable enterprise, the options increase exponentially. In fact, the most important outcome of good exit planning is that the business owner can define the process on his or her own terms. He or she can transition on their terms, but in not be a victim of the process, defining them because some are risk-factor rears, its ugly head.

Tom Bronson (2m 45s):

By the way, risk factor is a code word or code words, I suppose, for lower valuations look a solid and properly executed exit strategy has at the following components. One, it defines and removes risks. Some of which may be in the owner's blind spot. It provides opportunities to increase enterprise value. It aligns People to function on the same page and it provides contingency plans for unforeseen issues. So let's address each one of these benefits Briefly, let's start with de-risking.

Tom Bronson (3m 33s):

We all have blind spots. If we know Those blind spots are we can address and resolve them. There are things like having a shareholder and operating agreements and a solid buy sell agreement. If there are multiple shareholders, those are blind spots that many owners don't think about. In fact, many business owners realize that they need those at the beginning and that they think they'll deal with them later. But sometimes they forget to do that. You know, a blind spot might be business insurance policies that were set up years prior and automatically renewed without review. And they may be outdated with, without things like business, interruption, cybersecurity and key man insurance.

Tom Bronson (4m 23s):

These things need to be updated. These issues Are all behind the scenes items, but we should also think about other risks in our business that might be easy to solve like customer or supplier, concentration risks and documenting processes. Not having solid documented processes is a huge risk in any business. A great exit plan includes finding and addressing these risks in a business, ultimately leaving a higher valuation. Now, if

you want to learn more about risks in the business, you can read about it in my book, maximize business value.

Tom Bronson (5m 5s):

There's a whole chapter dedicated to risks, or you can download the free ebook, the blind spot, hidden risks. What you don't know can hurt you from our website mastery partners.com. Next let's talk about creating massive value. A great exit strategy includes building long-term sustainable value in the business. This strategy is the component that is missing from most exit strategies because by the time you actually start taking action on selling you're within a year or two of the exit event. And that is just simply too late to increase the value of the business based on growth, building massive value or increasing the value you already have in your business takes time.

Tom Bronson (5m 58s):

Sophisticated buyers don't believe short-term improvements in the business. You'll need to have a solid track record, usually in the form of trailing 12 months or TTM to demonstrate that you, what you've done is sustainable and not some short-term blip on the radar. In most cases, it takes several quarters perhaps even years until all the things that you've done to build massive value finally make their way to the financial statements and the valuation of the business. Yeah, it just takes time.

Tom Bronson (6m 41s):

Getting everyone on the same page. Most business owners don't want to engage their employees or they don't want their employees to know that they're thinking about selling the business. So that's one of the strongest arguments for exit strategy being good business strategy. Because when you approach an exit strategy as a process to build value in the business involving the team is as natural as involving them in their daily job functions. And when you set out to improve long-term value, you won't be shy about who knows because a more valuable business just attracts the right people to work there.

Tom Bronson (7m 26s):

Finally, let's talk about a little bit about the unthinkable. So let's think about the unthinkable, no business owner likes to think about those things that can suddenly and

dramatically change their business. I summarize these in what we call the five DS death, disability, divorce, distress, and disagreement. Every business should have a plan for what happens in case of death or disability of the business owner or other key people in the business. Look, life happens. It's very possible that you are a key member of your staff will become disabled.

Tom Bronson (8m 9s):

Ask yourself this one simple question. If something happens to me, will my family be provided for, and can the business operate without missing a beat? If you're like most business owners, that one will stop you in your tracks. This stress Comes in many forms though, like a large customer serving notice that they're leaving you or a key employee turning in their two weeks notice or a breach of your systems exposing your customer's data. I could go on and on. And although a never a pleasant topic, the divorce of a business owner or shareholder will likely trigger unintended consequences unless you're prepared for it.

Tom Bronson (8m 58s):

All of these things could impact a business to a far greater extent than most business owners are prepared to understand an exit plan provides contingencies for just these situations, reducing their negative consequences. So next week, we're going to talk about common myths and misperceptions about business value and exit planning. You don't want, Want to miss it. 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 and be sure to comment.

Tom Bronson (9m 43s):

We love your comments if we respond to all of them. So until next time I'm Tom Bronson reminding you to get started on a solid exit strategy while you maximize business.

Announcer (10m 1s):

Thank you for tuning into the maximize business value podcast with Tom Bronson. 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. Learn more 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 masterypartners.com. Check it out.

Tom Bronson (10m 30s):

<inaudible> that was perfect. I wouldn't make any changes on that.