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 feels 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 (36s):

Hi. This is Tom Bronson and welcome to maximize business value podcast for business owners who are passionate about building long-term sustainable value in their businesses. 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 failed to reach the finish line, meaning that only 17% are successful. In this series. We interview people who have successfully exited their business. We call them members of the 17% club to learn more about the process.

Tom (1m 17s):

And here's some really interesting stories along the way. So in this episode, I'd like to welcome our guests, John Humphrey. He was co-founder of party Veda solutions, a business that was started in 2003, and that he sold in 2012. John has become a good friend who was first introduced to me by our mutual friend, Dave Casey. Now you may recall if you're an avid listener to the podcast that Dave was a guest on this podcast last year to talk about his own exit as a part of the 17% club. John is also a member of business navigators, and I can tell you from my own experience that he has a true servant leaders heart.

Tom (1m 59s):

So welcome to maximize business value, John.

John (2m 3s):

Oh gosh. Thanks. That's that's a very nice introduction, Tom. It's good to be here. We're going to have some fun today.

Tom (2m 9s):

Your mom sent it to me yesterday. Yeah. Awesome. So give us a little, a history on Pari Veda, the business that you sold in 2012.

John (2m 21s):

Yeah. So partly Veda solutions is an it consulting firm. We built custom software solutions. We hired very smart engineers and the Genesis of it was, I was at Accenture and I met my Tubi partner and we would go to lunch and start dreaming about, you know, how could we build a better mousetrap? How could we make a talent, the number one thing. And he had a great insight on the talent shortage that we've experienced over the last 20 years. And so in 2003, we launched party beta and grew very quickly. I think we went from one to four to 10, to 17, to 22 million in the first four years.

John (3m 2s):
And, and you know, I did it for almost a decade and then sold it, sold my shares in the company. And of course the company is still out there today. It's almost a hundred percent Aesop owned, probably I dunno, 170 million in revenue and a little over a thousand employees.

Tom (3m 21s):
The, you actually sold it into an Aesop. Is that, is that what I'm understanding?

John (3m 27s):
Well, I sold it back to the company and it didn't go directly into the ESOP. Although we did have transactions along the way that went into the Aesop, that transaction did not.

Tom (3m 40s):
Okay. So let's talk about the exit. Did you have an exit strategy or did this transaction, as we say sometimes just fall in your lap?

John (3m 53s):
No. So one of the things that the principals we had when we were early days is we had a lot of very senior people that wanted to follow Bruce and I to party Veda and they wanted to be principals or partners. And regardless of how much sweat equity anybody put in, I wanted everybody to have to go home, sit down with their spouse and say, we're going to write a check to be part of this entity. You know, even if it was a thousand bucks, that was just something about that process we thought was important. So probably in the first two years we started a buy-sell agreement.

John (4m 34s):
We hired a very prestigious law firm to write it up and it, you know, you've seen those documents they're very long and very involved and they, they try to think about just about every scenario, but they don't. So

Tom (4m 50s):
Yes, sometimes they don't. That is for sure. It sounds like you have some experience with that. Maybe we'll get into that in a second. So, so you, how many shareholders did you have in those early days then?

John (5m 4s):
Well, let's see. We started in oh three and we probably had 15 by the time oh seven rolled around and in oh seven, we gifted 20% of the company to the ESOP cause we formed an ESOP and you know, really five years into the journey.

Tom (5m 25s):

Okay.

John (5m 26s):

So, you know, we had a process where the three largest shareholders had a schedule that they had to sell to the Aesop over time. The whole idea was, you know, build a company that lasts a thousand years that owns itself. And I can't say that that's going to happen, but, and I, and the other thing we found out honestly, is that our younger employees valued profit sharing, way more than ownership. So the value that we thought we were going to get by being employee owned is probably more valuable today, 15 or 20 years into the journey than it was back in the early days, because we were very profitable.

Tom (6m 6s):

Right. Interesting. So, so you formed the Aesop thinking that that was kind of what your employees were looking for, but they were looking more for profit sharing.

John (6m 16s):

Well, so, you know, you talk about servant leadership in business navigators. One of our five core values was servant leadership. And we believed that if we were going to build a company that was based on talent aggregation and deploying that talent for the benefit of employees and our customers, that what a novel idea that we would set up a structure that over time we would sell the company back to the company. And, but I remember when we went through that transition in oh seven, it was like, Hey guys, you now own 20% of the company. And so we can't afford to do both profit sharing and Aesop from a free cashflow perspective.

John (6m 57s):

And we had a very elegant profit sharing program. It was sort of, you vested over three years and you got like, you know, 40% year, one 40% year, two and 40% or 20% year three. So no matter how the company performed, you were always getting a bonus check. And our early younger employees loved that.

Tom (7m 17s):

And that came to a screeching halt when you come, right.

John (7m 20s):

That came to a screeching halt. And we had a lot of splaining to do. I mean, I think ultimately it turned out to be a very good thing for the, for the company and for the people. And, you know, you learn a lot about things that were way after they're done.

Tom (7m 37s):

Yeah, no doubt, no doubt. Well it's, and it's all about communication, right? I mean, that's one of the biggest challenges I hear over and over in businesses is that communication and how you communicate and how you communicated that to your employees. That must have, that must have taken some time, because this is not a easy issue for somebody who doesn't deal with this kind of thing to understand.

John (8m 1s):
No, it, it took a lot of time, but, you know, we had even a lot of the things about the culture of party Veda, you know, things like we welcomed disagreement. We, you know, we wrote a quarterly financial report to all of our employees and told them, here's how we did this quarter. Here's how we did this year. Here's what our plans are. So, I mean, I think we were really communicative and, you know, it's, it's one thing to look hindsight 10 years after you've sold a business to think about, you know, what did I, what mistakes did we make in the first five years? But you know, all in all, it was, it was a pretty good structure and, and the company is still independent today.

John (8m 42s):
So that's pretty good.

Tom (8m 44s):
Awesome. So, so what was the trigger point in 2007? You started the Aesop, but what was the trigger point that made you decide in 2012 to exit the business?

John (8m 57s):
Well, you learn about how, how important an asset is to people by what percentage of their net worth it is. And for me, the company was a huge part of my net worth and for a couple of other partners, it wasn't. And so I was raised in a world that shareholders own the business, and that companies exist to return value to shareholders. And that manifests itself in a, in a free cashflow.

John (9m 37s):
And so early on, you know, our margins were 45, 40 6% gross. And we were generating, I don't know, 18 to 22% EBITDA. And it, it just felt good. And then the farther we got into this journey around talent, we added layers of overhead. And we, oddly enough, we had the same cohort for front office people that we had for back office people. So if you were an associate level two and you were a consultant and you were generating, I don't know, let's say a quarter of a million dollars a year in revenue per head.

John (10m 18s):
You know, we would say that, well, that AP clerk, who's a level two should have that same cohort. And it got to be very expensive. Our, our, our SGNA got higher and higher and higher. And, you know, I, I learned a couple of things about my, I mean, I went through a sort of a personal crisis during that time family, and I just thought that we should run the business differently. And, you know, that's where partners sort of get it wrong is they don't really talk through a lot of those issues. You know, you're trying to survive early on. You're not thinking about success.

John (10m 59s):
And so I, I figured that rather than to have a public fight in a private company, that I would just sort of, I had a really solid buy, sell agreement. So I thought that I would just take my toys and go somewhere else. And, and I still think that was the right decision to do it. You know, I'm a builder, I'm probably not a maintenance guy. And so by the time we got to like 30 million, 40 million in revenue, people couldn't really figure out what to do with me. I hear this theme from lots of entrepreneurs.

Tom (11m 36s):
Yeah, yeah. So many times I want to unpack a couple of those things. So many times business owners, 90% plus of their net worth is tied up in a business and, and, and, and illiquid asset. Right. And so, so that becomes a challenge. And, and of course you talked about the buy sell and they try to cover every possible scenario. It sounds like we didn't cover all the scenarios and yours, but it's so much easier to really construct that and imagine, and think about what all the scenarios are when you're in that beginning stage. And everybody's on the same page. Cause you're all in survival mode at that point. Yeah.

Tom (12m 16s):
Once you reach some level of success and you try to go back and renegotiate things like buy cells, it becomes a very dicey issue. Yeah. It, it really is. So, so did you have a timeline for, for when you were going to exit, did you announce this in advance and then no.

John (12m 35s):
I mean, so, you know, it was about 10 years for me. I mean, I, I spent the entire summer of, you know, oh three on my own by myself. And, and so the way that our buy sell agreement or was that your value was the appraised value at the time of your departure, because we were an ESOP, we were required to have an independent appraisal done every year. And if you know, any owners of Aesop's, you know, you know, that you got discounted for closely held and you get minority interest. And so by the time you get down to the value of your shares, it's usually 35 to 40% below enterprise value.

John (13m 20s):
And that was, you know, we complained about it, but that's, that's the deal, right? That's one of those things you learn about Aesop's after you're in it. And so it usually took about three to six months to get that number for the previous 1231. So I, so I sort of kind of waited around for that number to see what that number was. And, you know, that was like $16 and 23 cents a share. And I announced, I sat down with my partner and I was like, I think I'm going to go do something else. And he's like, fine. We had a roadmap. You know, if your, if your value was less than a million dollars, it would pay out over three years. And if your value was more than a million dollars, it would pat over six years, other members of the management team would have an opportunity to buy, to buy, you know, to buy part of that on the way out.

John (14m 6s):

The thing that I didn't consider was that at the time, at the time, my ownership was now down to let's say 25% and technically on paper, it impaired the company. When I announced that I was leaving. And so by Texas state law, it doesn't really matter what the buy sell agreement is. The company doesn't have to honor that if that transaction impairs the equity of the business.

Tom (14m 36s):

Oh, why, why would that, when you left, why would that impair the business? Were you doing,

John (14m 41s):

It was a big chunk. It was, you know, it was a big chunk of net, you know, on paper. It was a big chunk of the net worth.

Tom (14m 47s):

Interesting.

John (14m 48s):

And it would, you know, and then of course it affects all your coverage ratios that you have at the bank. So there was things that I didn't really think to ask. So that was the first hurdle was I left and I got nothing. So yeah.

Tom (15m 11s):

Wow. So

John (15m 12s):

Hurdle number one, This great quarter of a million dollar buy sell agreement. Isn't any good for a 25% owner.

Tom (15m 22s):

Yeah. Oops. Wow. So from, from the moment you decided until you actually walked out the door, now we know with nothing. Well, that's not the end of the story. I know, but, but how long did that whole process take?

John (15m 40s):

Well, the process between leaving and perfecting the interest where the company was paying me, according to the buy sell agreement, the original buy sell agreement was about three years,

Tom (15m 55s):

But you didn't get any, you didn't get any payment

John (15m 58s):
For them. I mean, they started in the next year. Well, so then we had this dance of don't you believe in the company and don't you want to bet long-term. And I was like, yes, I do. And so that everything went in the kitchen sink that year, for year end. And by the time the appraisal came out in the next year, the company went from $16 to $9. Ouch. And they tried to argue that that was my new share price. So lots of lawyers and lots of money. And another two years we kind of got that rectified. And so, you know, then they started the multiple notes peg at different times, but ultimately it, it probably costs me 10%.

Tom (16m 48s):
Okay. All right. Well, that's

John (16m 50s):
15 when you take into account legal fees.

Tom (16m 53s):
Yeah. Well, that's better than, than it costs the Delta between, you know, 16 and nine.

John (16m 58s):
Right. And I was out, right. So I mean, it wasn't like I could go back to work.

Tom (17m 2s):
Right.

John (17m 3s):
You know, so they had all the, all the power and, you know, you learn a lot about our legal system when you have to start. I mean, I remember my attorney set out with me this isn't two years into it and he's like, and he's a good friend and very good attorney. He's like, you need to hire somebody in a tall building, downtown Dallas that people read about the Dallas morning news. And I hired, Rogie done. And seven months after I hired rubbish, they started paying on everything that they, that they were obligated to pay on.

Tom (17m 35s):
Yeah. The, the legal system, I will tell you that I recorded a podcast yesterday that that would have come out before this podcast is released with David hammer. And he says, and he commonly says the, the legal system is not about right and wrong. It's about winning and losing. And, and

John (17m 56s):
I think that's right. And I, you know, and I don't have any ill will from the firm. I really don't. Because what you realize is when you're a founder, you go from you're in the circle of trust. You're out of the circle of trust. And when you go out of the circle, you're just like any other creditor that they have to do the deal with. And their

job as an executive team is to push the boundaries of the letter of the law, the letter of the document. So make it in the best interests of the current shareholders and employees. And so I understand that I just wasn't prepared for it.

Tom (18m 40s):
All right. So I have to ask good bef, but before you walked out the door, had you sought legal counsel, accounting counsel, you know, CPA, an attorney. Okay.

John (18m 53s):
We had no transition team. And that was a mistake,

Tom (18m 57s):
Right. Even in a situation like yours, I would definitely recommend seeking legal counsel. This

John (19m 5s):
Absolutely. Have somebody read your document. They've done a thousand of them. They get can take and give you really good advice before you pull the trigger. So, yeah.

Tom (19m 18s):
So in a, in a sale process, by the way, perk your ears up folks, the listeners, you know, that's get your legal advice in advance. Right. Cause getting legal advice after the fact, there's not a lot they can do, but it becomes very expensive. And you heard it here first. And so, or anybody who's ever been through their legal fight will tell you that it's not like I'm, I'm announcing something new here. Yeah. So, so in a normal sale process, you know, there's a whole bunch of due diligence that you go through, but it sounds like your due diligence sorta happened after the fact, when you thought you had a value of the business.

Tom (19m 58s):
And then over the course of the next year, the value of the business was degraded through, through the magic of accounting. And, and so it is that was that sort of what you would call your due diligence process that you went through?

John (20m 15s):
The way the buy sell agreement said is 120 days or 90 days after I departed, I should get my first note payment and that didn't happen. So it was really the fall of 2012 when I said, okay, I guess I need an attorney to review this and start making phone calls. And then I found out about the whole impairment thing. And you know, and then actually a year later, a friend of mine who was still at the firm called me and he said, you know, you didn't hear this from me, but you really ought to reread your buy, sell agreement. And so I did, and I sat down with an attorney and that's when we got serious about, okay, you guys are, you're interpreting several clauses incorrectly and you know, it took a while.

Tom (21m 5s):
Yep. Yeah, it does. And there's different types of attorneys for that kind of thing. I think your friend's advice was right. You wanted, you wanted a bulldog, somebody that they read about in the Dallas morning news every day. Right. I had one of my chief counsel David hammer. He was not a litigator. He's a business attorney and an M and a guy, but when we had litigation pop up and I would approach him and say, okay, I need a referral to a litigator. His question was always, do you want to settle this? Or do you need a bulldog? He said, cause those, cause those are two different guys.

John (21m 44s):
Right. And I, you know, I think it was pretty clear, you know, your quote about the legal system is really right on, I mean, there's being right and being done.

Tom (21m 59s):
Yeah.

John (21m 59s):
And sometimes proving your righteousness is way too expensive and you know, anybody that's been through a divorce or anybody been through this process will tell you that, you know, when, when, when you're hiring legal help, You know, the, the payers lose attorneys win. I mean, that's a, that's a really harsh generalization about the industry. I have a lot of very good friends that are very capable and honorable attorneys, but there it's expensive help.

Tom (22m 35s):
Yup.

John (22m 37s):
And I'm just amazed at how you can stall and Slow the process down. I mean, I was pretty naive about that. I'll just say that.

Tom (22m 52s):
Yeah. Well, it's probably a result of not having that legal counsel and they may have warned you of that. And when you mentioned you used the divorce analogy, it's really the same thing here. You were having a business divorce. Yes. Right. I mean, you're, you were married to these partners of yours and you were going through a pretty nasty business divorce kind of at the time.

John (23m 16s):
And it's the same emotion because these are people that you loved or still love and have gone through battle. I mean, you know, when you start, when you go from zero to 20 million in five years, you know, you

you're, you're battle-hardened, I mean, you know, you're, you're calling one another at nine 30 at night driving home because you need somebody to talk to you to keep you awake. And you know, these are brothers and sisters at arms, and I still have a great degree of respect for all of them. We, some amazingly people that say, how were you so successful? I said, well, early on there, wasn't a technology part problem that we couldn't fix. We just had really, really outstanding people.

John (23m 59s):
And so, yeah, it is hard, but you know, they say bitterness is a pill. You swallow expecting the other guy to die.

Tom (24m 8s):
Yeah.

John (24m 9s):
So I've tried to cultivate a grateful heart and I'm, and I'm grateful. You just got that, didn't you.

Tom (24m 15s):
But I want to go back and listen to this. I won't take the time to write it down now, but better.

John (24m 21s):
And this is the pill you swallow, expecting the other guy to die.

Tom (24m 25s):
Oh my God.

John (24m 28s):
So it doesn't melt moral of the story is be grateful. You know, I'm grateful that I had the opportunity to do something really cool. I'm still extraordinarily close to and very proud of that company. And it has become a beacon in the Dallas Fort worth area. I remember when Bruce told me once he said, you know, someday we're going to be a household name and they are, and I've set my good friends, smart, technical children to work there. And I, it would be the best place for a computer science person to start. So, you know, it's a very amicable, it was a very amicable divorce, even though we had some problems perfecting it, but it's taught me to live a grateful life.

John (25m 15s):
You know, stuff happens in our lives and you just gotta get back up, brush yourself off and keep going.

Tom (25m 20s):
Like when you make mistakes, the only, the only reason that mistakes are a tragedy is if you don't learn from

them, right. And, and pick yourself up and move on and being grateful is a, is a, is a wonderful reaction to, to any bitterness that you have to swallow, hoping the other guy will die. So in a normal sale transaction, you know, when, when, let me back up and explain something to our listeners real quick, the, you get a, a letter of intent. You go through a process, you get a letter of intent that establishes a value of the business. In your case, it was your buy sell agreement that had a clear establishment of the, you know, the value of the business.

Tom (26m 3s):
But then in a normal sale process, you go through due diligence and you get to what's called the retrade conversation, which means, yeah, I know we told you, we were going to pay you 10 million, but now we're only going to pay a six based on what we discovered. And that's what the definition of kind of the retrade conversation is. And for the most part, they really are genuinely discovering things that they didn't know in your case, it was insiders in the Aesop, in the, in the process you were selling to. So, so tell me a little bit, without having to go into a lot of details. Tell me about that retrade conversation that you had with them when it, when the value of the business went from $16 to $9.

John (26m 46s):
Well, I mean, you know, it was a simple conversation and the conversation went, something like this, John, we're going to pay you when we're good and ready to pay you.

Tom (26m 56s):
Okay.

John (26m 58s):
And honestly, that's kind of how it worked out. And I think they, they believed that the cash drain on the business would be harmful to the business. It was just on the heels of 2009. It was a company was just coming back and, you know, it took a while, but they eventually honored their commitments. And so it wasn't, you know, it wasn't, I mean, there were some attempts along the way to pay me less. And, but You know, it's not, it wasn't a traditional deal.

John (27m 37s):
Right. We had the buy-sell agreement and then we had the Aesop and, you know, ESOP's are governed by ERISA. Like you can't not do an appraisal. You, you have to do certain things. You've got to Aesop trustee on your board, make sure that you know, that the laws aren't being circumvented. So in a lot of ways that offered me some protection in an, in some ways it didn't so

Tom (28m 6s):
Well, so the, I think the lesson here might be, even though you felt like you were operating under that, that buy, sell agreement, it might've been in your best interest to have an exit agreement. That's that, that

reinforced the things that were written in the bikes. Yes.

John (28m 25s):
I could, you know, do it again. Or if I was giving advice to somebody that was leaving that had a really rigorous buy, sell agreement, I would say, as part of your separation agreement, you would have the company doubled down on complying with what's in the buy sell agreement, and then be very specific about their performance.

Tom (28m 45s):
Yeah, exactly. Exactly. Well, we're, we're up against a break here. We're talking to John Humphrey, a member of the 17% club. Let's take a quick break. We'll be back in 30 seconds.

Announcer (28m 57s):
Every business will eventually transition some internet employees and managers, and some externally 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 no 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 (29m 38s):
Now, is that time get started today, checking us out at www.masterypartners.comoremailusatinfoatmasterypartners.com.

Tom (29m 51s):
We're back with John Humphrey, a business owner who's successfully exited his business starting in 2012, as we learned in the first half. So John let's, let's talk about some of the lessons that you've learned. What did you learn going through this process

John (30m 11s):
Trust, but verify would be one

Tom (30m 15s):
Great Ronald Reagan quote.

John (30m 17s):
It really is. And, you know, I would have engaged legal counsel sooner. I would have had a document on, on my exit that sort of specified my exit because actually I was a contractor for the company on a project in

Arkansas that they wanted me to finish up for, you know, the balance of the year. And so we just didn't, I just didn't write all that stuff out very well. And so that was, that was a problem, but, you know, live and learn. I was all in back when I was lot younger and a trust, but verify.

Tom (30m 57s):
Yup, yup. Now knowing what you know today, kind of, other than, you know, hiring an attorney in advanced and maybe the exit contracts, are there other things that you would have done differently when you made this decision? Okay.

John (31m 12s):
Yeah. You know, when you start a company and you sort of project out what it could become after it's on its way, I've never met an owner or an entrepreneur that doesn't believe that the company that they started, isn't worth a hell of a lot more than it. It is. And it's never worth what you think in your mind. And I think, you know, greed would be a strong word, but I, I thought my shares were worth more than they were when I left. And I believed so much in the company that I was willing to, to go along with them on this ride to extract more value.

John (32m 2s):
And you know, that was a mistake because once you're outside the circle, you're out outside the circle and it, the relationship can never, ever be the same. It's just, and so I should have just said, okay, this is, it's this, this number on this date. Good enough. Yes or no. And then how do I document it to make sure that everybody agrees that this is the number, and this is how this is going to go. So I think greed is probably screws up lots of transactions. I mean, I bet you see this all the time. Cause I know lots of entrepreneurs and they all think their company is worth more than it is.

Tom (32m 48s):
That's partly though, because they don't really know how businesses are valued, right? They don't take the time to learn. Every industry is valued differently. You know, there's a, there's a book that gets published every year. I keep it on my desk cause I use it all the time to the business resource guide. Look at this book. This is value. Every page in this are, are valued in multiples on each page, valuation metrics for different types of industries. And so you read something in the wall street journal about some company that got 50 times earnings or 22 times earnings or something about getting 10 times revenue, that kind of thing.

Tom (33m 28s):
And you set this expectation in your mind without really understanding how businesses in your industry are valued. What does it look like? And so many business owners make the mistake of not really understanding that. And then they assigned some emotional value to,

John (33m 44s):

You know, my dad just passed away in December and he's 90 years old and he was a very buttoned up guy and had these quips that he would always say. And he would say to me, you know, son, a person with an experience is never at the mercy of a person with a theory, right? That's what I going write down. So I wish that I had really internalized that and gotten more professional help in the spring of 2012 before I just pulled the trigger. I think that would have been really, really worth the money and very, very helpful and substantially less expensive than spending the money after the fact.

Tom (34m 30s):
Yeah. You know, my dad was very wise too. Unfortunately he didn't live to 90. He died 20 now or 23 years ago. But one of the pieces of wisdom that sticks with me that goes along with this is the only way to that there are no shortcuts to experience. The only way to get experience is to get experience.

John (34m 52s):
That's true.

Tom (34m 53s):
Yeah. So a person with experience is never at the mercy of somebody with theory, right? I love that. That's a, it's going to be one that I'm going to just steal all kinds of clubs.

John (35m 3s):
You can steal it. So here's how that goes. You know, not going to, so the first time you quote it, you say, you know, my good friend, John Humphrey said, the second time you quote it, you say, I knew a guy that once said, and the third time you can say, you know, I've always said, that's how you steal it with grace.

Tom (35m 28s):
Okay. Now I understand. Cause usually I really try to give credit where credit is due. I will tell you for these nuggets of wisdom, I will be talking about when I say that. So the other nugget that I picked up in the first half that we didn't really talk about was you guys as business owners, we're thinking about where this business is going to be in a thousand years, you want a business that's going to last a thousand years. Well, by the way, you know, no businesses last that long, there are very few. And, but having casting that long-term vision for where you want to be. And I mean, thinking out genuinely and taking time every year to evaluate where are we going to be in 10 years, we're going to be in five years.

Tom (36m 9s):
Right? And what's, what's our imagination for where this business can go is so very important to, to provide you that the, the foundation for the vision that you're casting for the rest of your people, you know, as, as we commonly hear, and I don't know who to attribute this to, but people will follow if there's, if they're being led right. And, and they follow a vision like that. So I applaud you guys in the early days for kind of thinking that we want to establish something that's going to be around for a long time now. So, but knowing what you

know now, you know, what advice would you give to business owners who are thinking about doing something like this or exiting their business in general?

John (36m 56s):
Well, you know, there's lots of cliches, but I guess one would be surround yourself with people that are better than you and grow old with them. You know, think big. I mean, I, I think we thought big, we built an infrastructure for a hundred million dollar company in the first $5 million. And, and the, you know, in that business really there's two constraints. One is people and the second is customers. So you know, this connect for life sign that you see behind me was when we started that firm. I didn't want to have any commission salespeople because I'd been in that business learning how to sell.

John (37m 38s):
And so we taught everybody in the company how to network and sell and market. And, you know, some people would say that doesn't work in every business, but it certainly works in a services model, you know, people and, and even more so today because people want to talk to the thought leaders. So we had that infrastructure in the business. We had really good financials. We knew the data we had, I don't know, 12 offices by 2012. And so scale was really about attracting people in winning clients.

Tom (38m 18s):
That's amazing. I think that that is great advice to be thinking about those long-term plans to have a a hundred million dollar infrastructure when you're a $5 million business is so unheard of, but that's the only way to become a hundred million dollar business is if you put those structures and systems in place early on, you can't achieve the goal, unless you think about that. And that's some that is some great advice for business owners. Did you know what you were going to do after you, after that day that you left the company?

John (38m 54s):
No, I, I knew that no matter what the payout was, it wasn't going to be go to the house money. So, you know, it was going to be nice retirement money and Kind of a weird deal. I had, one of my clients called me and he said, I understand, I hear rumors that maybe you're thinking about doing something different and why don't you come work with us and build the next generation trading platform. So, so I did that for five years and built a precious metals trading platform for physical precious metals hedging for one of the largest wholesale distributors in the U S.

John (39m 36s):
And that was really fun. That was a really sort of a nice, soft landing with people I knew and had had known for years from a tech perspective, they were actually our first client at Pari Veda. I remember calling the president of the company. He said, Hey, I just started a company. I need a customer. And he said, well, come on now. I think he hired me. I'll be on a retainer for like a thousand dollars a month. That was our first, I still

have the check in my, you know, the first, the first, you know, party, beta income. And, and he's the guy that, you know, and we got permission, you know, obviously we couldn't go work for our clients and, you know, the company was fine and I had a lot of fun, had a lot of fun doing that.

Tom (40m 15s):
That's awesome. All right. So you did that. I didn't, you know, I've known you for, I don't know. We, we met over a year ago and maybe a couple of years ago, but I didn't realize you were that smart. John,

John (40m 27s):
Not just fake it really well. I've always been, I've always been intellectually curious. I, I love to learn. And, you know, during that five years, I actually wrote the book connect for life and which was based on all of the principles that I had been teaching at party Veda. And actually it went, it went all the way back to, you know, when I was at loss of software, a good friend of mine, and I we'd sit around on Friday afternoon and think, how do we get, how do we get rid of these oscillations? There it is. How do we get rid of these oscillations in pipeline? You know, God, you know, you work, you get a pipeline and you work the pipeline and then you got nothing.

John (41m 11s):
You got to start over. And so we started keeping score of all of the activity that we would do in the marketplace that didn't have anything to do with the deal, networking events and helping people and giving advice and speaking, and dah, dah, dah. And so I put pen to paper on that back in 2000. And so I eventually went back to work at a, at a consulting firm and built an Oracle implementation practice. And then we got bought by Hitachi. And so I was teaching this, I called it networking for life back then. And so I wrote, so I wrote the book and, and now that's, that's kinda what I do.

John (41m 56s):
I do mentoring and coaching. And I'm a fractional chief revenue officer. I'm a business coach. You know, typically my portfolio of clients includes software startups and professional services companies. I can sit down with a CEO of a professional services company and talk about everything from how to grow people, to how to recruit, to margins on project to EBITDA. And, and so they like to have me around just to be a sounding board. It can be a very lonely when you're in a 15, 16, $17 million company. And you're the CEO and founder is a very lonely existence.

Tom (42m 33s):
Yes, yes it is. And, and I hear someone actually asked me this morning, said, as I was talking to a prospective client, he said, so this I'm just going to ask you a direct question. I said, go ahead. And he said, this sounds a lot like coaching to me. And I said, well, to be perfectly honest with you, I didn't set out to create this consulting firm to be a coach, but I will tell you that nearly a hundred percent of my clients when they introduced me to somebody introduce me as their business coach and, and, and every business needs

a good coach. Right. And you're right. It is absolutely lonely at the top of an organization that side, who do you turn to?

Tom (43m 17s):
Who can you bounce your ideas off? Because it's so dangerous that when you're bouncing ideas off of your employees, that they take it as the gospel, John wants us to go do this,

John (43m 30s):
Or they filter it through their own needs and wants.

Tom (43m 34s):
Yes. Yeah. So it's, it's really important to have that, that independent kind of eyes and ears on that. And I love that. You said that you're intellectually curious, you asked great questions, you know, when, when we talk and I know that you are, and it's so funny when I, when I engage with a new client, I always tell them just before a warrant, I asked lots of questions and cause that's the only way I can learn about your business. Right. And, and usually about an hour into a conversation, they'll go, wow, you do ask lots of questions. Well, I told you, I warned ya. Right? I needed to know that's the only way I'm going to learn.

Tom (44m 16s):
So tell us a little, you know, so connect for life, you're doing coaching kind of a fractional chief revenue officer, that kind of thing. You work with others, you've built, you've written this book. Anything else that our listeners should know about connect for life?

John (44m 32s):
You know, the, the foundation of connect for life is really about serving others. You know, if, if you know, I challenge people all the time, I'm like, try it out and give your network, you know, try to, to be that person that people call when they need a connection, when they need an auto mechanic, when they need advice on selling a business. I mean, I learned a long time ago to give away my knowledge for free, and it would come back to me, a hundred fold. And, and so connect for life is about learning how to take your daily activities and sew them into other people. And so we have this system, we call touch points, touch points are grouped around three major activities, sort of networking and connecting, marketing, and publishing.

John (45m 19s):
So your personal brand and then sales, and what is a sales process and what do you do in a discovery phase of a sales process to really get the solution, to understand the politics inside of a company, to understand a wind strategy. So, so we covered that whole, that whole gambit and, you know, I've thought about, do I scale it? Do I not scale it? But right now I really just love being a solopreneur and being a helper and I'm making a good living doing it. So

Tom (45m 51s):
Getting in the, sitting in the background and supporting those people who are making it happen, I love that. And, and the, let this be kind of a precursor. We're going to have you back on the podcast later this year and talk specifically about connect for life, because I think there's just a massive amount of wisdom. I've seen you present on this and, and lots of things that, that our audience can learn from that. But unfortunately, we're, we're getting close to the end here, John, I'm enjoying our conversation. We have one last business question. The podcast is all about maximizing business value, ironically, the name of the podcast, right? So what's the one most important if you have a lot of wisdom, but what's the one most important thing you would recommend business owners do to build value in their business?

John (46m 41s):
Well, You got to have the right people on the bus, you know, we've read those books. You, you, you absolutely have. I've, I've gone through to a lot of firms that have hired me. And the first thing I got to have is a conversation like you got the wrong people doing the wrong things. And so if you get the people, right, the people will figure out how to take care of your customers and how to win business. And so I think it's being a good judge of character and understanding what people's capabilities are and what their limitations are. And then just having really honest conversations with them.

John (47m 21s):
I mean, it, our legal system makes that more and more difficult to coach current employees when they're really in the wrong place, doing the wrong thing. And, you know, I've heard so many stories about, yeah, you know, I got fired from this job and I went over here and I'm so grateful, you know? So I think it's getting the right people on the bus and thinking big.

Tom (47m 46s):
All right. That's two things.

John (47m 48s):
Sorry.

Tom (47m 49s):
She did. Yeah. I had to throw that right on in there. No, that's all right. Sometimes

John (47m 53s):
I'd say, I'd say it's definitely the people, because if you get the right people that can figure out a lot, I really, they can figure out stuff you don't know.

Tom (48m 2s):
Yup. Yup. You hire great people and then get out of their way. That's what I always say. It is. All right. But

we've gotten to the end and I have to ask my bonus question. Our listeners listen all the way just to get this little dessert treat at the end of our podcast. And so I have to ask you a bonus question, John, what personality trait has gotten you into the most trouble through the years?

John (48m 28s):
Oh, that's easy. And I, and I don't think this is a unique, but there's something in my brain that triggers when, you know, I get disrespected or somebody is trying to bullshit me or, and I just, it just flips. It's like, I can't be associated with you anymore. I've got to go in a different direction. And I think that reaction is an emotional reaction. And I think it has gotten me into trouble when I sort of look back on, you know, when you say, well, screw it. I'm out.

John (49m 8s):
You know, for me, I don't, when I, when my little voice says I'm out, like there's no retrade on that. I'm out.

Tom (49m 14s):
Yeah.

John (49m 15s):
And I, and I've, you know, I've lost some jobs and I've lost some companies because of that. And you know, now that I'm older and wiser and have less hair, I'd like to think I'm a little more measured, but you know, I do kind of live my life like, well, I was looking for a job when I found this one. So, You know, I've never really worried about making a dollar in my life. And so maybe that's what gives me the flexibility to be able to do that. Not everybody can, but yeah. I'd like that. I'd like my checker to work just a little faster before that coats out my mouth.

Tom (49m 54s):
Yeah, no, I'm with, you need a little filter there every now and then. So how can our viewers and listeners get in touch with you?

John (50m 3s):
Well, email is john@connectforlife.com, C O N N E C T F O R L I F E. You can find my book on Amazon connect for life, and you can find my website connect for life.com. And I'm also very active in LinkedIn posting and that sort of thing.

Tom (50m 23s):
Awesome. Thank you, John, for being our guest and sharing your story with us and join a Tom great time. You can find johnHumphrey@connectforlife.com. Of course, he's very active on LinkedIn and you can always reach out to me and I'd be happy to make a warm introduction to my good friend. And I do highly recommend, you know, connect for life John's book. It is a fabulous book, and we're going to do a podcast

on this a little bit later on in the year. This is the maximize business value podcast, where we give practical advice to business owners who want to build long-term sustainable value in your business. So be sure to tune in each week and follow us wherever you found this podcast.

Tom (51m 5s):
So you'll know every time we drop a new episode and by the way, if you or someone, you know, has successfully exited a business and therefore a member of the 17% club and you, and would like to be interviewed on this podcast, be sure to reach out and let's schedule a conversation until next time. I'm Tom Bronson reminding you that it's never too early to start thinking about and planning your own ideal exit while you maximize business value.

Announcer (51m 39s):
Thank you for tuning into the maximize business value podcast with Tom Brunson. His 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 (52m 26s):
That was perfect. I wouldn't make any changes.