
**MAXIMIZE BUSINESS VALUE PODCAST - EPISODE 61 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 a 100 business transactions, which fuels our desire to share our experiences and wisdom. So you can succeed. Now, here's your host, the CEO of Mastery Partners, Tom Bronson.

Tom Bronson (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 business. In This episode, I am so delighted to welcome our guest, Chris Snider, CEO of the exit planning Institute. The exit planning Institute also known as EPI is the accreditation body for the certified exit planning advisors. That's a certification you can get, or a CEPA as a, And I met Chris about two years ago when I went through the CEPA course in Dallas, his book, Walking to Destiny, 11 actions, a business owner must take to rapidly grow and unlock wealth is a must read for every business owner in it.

Tom Bronson (1m 21s):
Chris unpacks, in addition to a lot of other things, Chris unpacks, the value acceleration method, a process used by CPAs to help business owners fully realize the value of their businesses. You can find it on Amazon, or if you call me, I just might have a copy here with your name on it. So welcome to Maximize Business Value. Chris, tell us about The exit planning Institute.

Chris Snider (1m 47s):
Hi Tom. It's been a while. It's really delightful to a, to B back together again, a and, and just say for the record, you we're the best students in that class.

Tom Bronson (1m 59s):
Can you tell me my score, but okay. I'll accept that.

Chris Snider (2m 2s):
No, we don't. We, we don't release score's, but yeah, that was a great class. And a, you were right up front. I remember in the drilling me with a bunch of questions. So, so the, the, the, for everybody that's on the podcast and the, The exit planning Institute is a UN organization that does provide a credential called the seat, but this time and described it, our mission really can be summed up in three words, change the outcome. And what outcomes are we trying to change? Well, a I'm sure, you know, Tom people have heard about this at some of your previous podcast. The success rate on a business transitions historically is only been in the area 20 to 30%. And frankly, when I got into this business and learned that I just thought that was a tragedy as a business owner myself.

Chris Snider (2m 48s):
I just can't imagine working in my whole life, you know, to build this wealth, all the, the difficulties, the challenges of being in an owner and then win the day comes right, cross the goal line, win the super bowl that why you can't do it. Do you have you fumbled the ball? And so I set out to try to figure out that there had to be a better way to do this. And a, and, and as a result, you know, I bought ended up buying The exit planning Institute 2012. I'd become a seat, but myself in 2008. And I was so passionate about this, that I ended up buying the epi. So what we primarily do a support business advisors, some business owners in fact are our greatest growth in our membership is his former business owners that want to help other business owners exits their businesses.

Chris Snider (3m 39s):
No

Tom Bronson (3m 40s):

Kidding. That's a, that's really a surprise, but you're, you quoted that stand and that's absolutely the truth. That's one of the reasons a as, as our listeners already know, I've bought and sold a a hundred businesses and my career, and I've been successful a hundred percent of the time. Then I was Selling a business, not a, a a hundred percent have the time that I was buying businesses for a lot of reasons. But as I started thinking about that, and when I sold my last business and I started studying those stats, it and realized that when I came up with his even, or even worse than what you're quoted there, Chris and I say that a four businesses that are trying to sell, there's only a 17% success rate. You don't have the businesses that come on in the market.

Tom Bronson (4m 20s):
And that's just based on his stats that we've compiled everywhere. It's a little bit better if you're transitioning to the next generation, but not a lot better. Right. And, but that's that just pisses me off business owner has been working on his ass off or 25 years or one to sell this business to monetize his long term investment and its not able to cell. And there's a lot of reasons behind that before we get into the value acceleration method. Tell us a little bit about your background and why you wound up actually buying this business.

Chris Snider (4m 52s):
Yeah. So, you know, I've been in an a, you know, working for, you know, honestly on a college for 40 years or so it would take a long time to go through my background. But basically I started out as a corporate guy, you know, a, I eventually found my way into a privately held business. It was doing about $93 million a year. I was very fortunate to work with a real dynamic business owner. It was my first exposure to a private business family business in the middle market. We grew that company from 90 million to over 250 million in three years, sold it to a large multinational. And along the way, I was taken a lot of notes, you know, and that was a major milestone for me because I really learned how to do it.

Chris Snider (5m 41s):
Right, right. That, you know, I think that you learned more from watching people do things right than you do from watching people who do things wrong. Right. And, and so

that led me to back in the big corporation again, which eye eye at that point, I just couldn't tolerate it. I lasted about a year and a half and eventually left. And at that point decided it was time to start my own thing. So I started a consulting company to help business owners primarily grow their businesses. And we had a model in which we call the bigs buy, improve or grow, sell it sort of represent the full cycle. Are we either buying are starting improving, you know, growing and then selling or being able to harvest the wealth at the end.

Chris Snider (6m 23s):
And what happens is there was still, you know, we were very successful at getting owners to a growing the value of the businesses and even successfully being able to sell them, but there was something missing. And that was that personal financial side. You know, we talked about the three legs of the stool. I'm sure you've talked about that personal financial business. You know, I talked to my clients like a year after they sold and they just weren't happy. Most of them were bored to death, so they had money, but they didn't know what to do. And so I said, there's something missing. Then I ran into this organization called The exit planning Institute and I thought I'm going to go out and get my credential.

Chris Snider (7m 4s):
And so I did and I really latched onto this three legs of the stool thing. It, he came back in integrated that. So when we started to do a little bit broader education of our clients, and then in a 2012, I had a chance to buy it. And I thought, you know what? The boomer generation coming up, only two thirds of the privately held businesses, knowing the success rates were so bad. A, I said, we got to do something about it. Or we can through API, we have a vehicle to do that. And so primarily what I did is I brought my methodology in which we now know as the value acceleration methodology, I wrote a book about it. You know, I started chapters to create awareness.

Chris Snider (7m 43s):
I reinvented what Exit planning really is, which is a business strategy, not necessarily an exit strategy. I love that.

Tom Bronson (7m 52s):
That's it. That's what I say all the time. I'm not talking. I don't want to talk about your exit strategy. I don't want to talk about it. You as the business strategy, if you have a solid exit strategy, but I tell our clients all the time, a solid exit strategy drives your business strategy. If you understand where you're going, it is a lot easier to drive the bus in the right direction. Right.

Chris Snider (8m 12s):
You know, it's almost like forget about the exit, right? Which you need to do is I think the biggest contribution we've made in the industry is we back that whole process up to present day, what can you do today to build a growing business, right? A thriving growing business. That's also a transferable. You can do both. Umm, but there are a certain things that you have to do and the way you run your business. And if you do those things, you don't have to worry about The exit. In fact, you probably going to have multiple options or you could be able to do it over a long period of time, which is the best way to exit.

Tom Bronson (8m 49s):
Well, and that's it, you know, frankly, a lot of business owners have in their head that, you know, there just going to wake up one and decide that it's time to sell, call their broker. You know, like there was a listing a house in three months later, they're going to be sipping. Margarita is, you know, down and down in grand Cayman. It just doesn't work like that. And you know, that it takes, it takes a long time to build that good long-term value. That is transferable. So let's jump into talking about the four concepts of The Value Acceleration process. We're going to talk about each one of them. You already mentioned the three legs of the stool. A tell us a little bit more about the three legs of the

Chris Snider (9m 30s):
Stool. Yeah. Before I jump into that, let me comment on your last comment. You know, why exiting a business? The bags in their business is a pain in the ass. It's so hard there's but there's just no way around it, but it's so worth it. Right? It's so worth it. So that, and that's what I tried to do in my book and in my methodology. And really it's built

on these four core concepts that you're talking about. The first one is we call the three legs of the stool. So in order to successfully transition a business, you have to be personally ready. You have to have to be financially ready and you're business has to be ready, right? So not just most owners focus on the business, they forget about the other two legs.

Chris Snider (10m 11s):
Right. And what happens is the biggest there, the biggest reason deals fail at the end is a, a owner's cold feet sellers, cold feet, because what happens is the owner is facing the reality that I don't know what I'm going to do on Monday. If I don't have my business because we pour our lives into our business and the process. And I can even tell you, you know, myself being an owner of that 60 plus the process of trying to figure out, well, what do I do with those 60, 70, 80 hours a week that I'm spending and my business, what am I going to do with that time? And so most of the owner's, even if we can get the business Reddy, they get to the, where they get to sign the purchase agreement and they just can't do it.

Chris Snider (10m 57s):
So a big personally ready. It was probably the biggest challenge is it really takes a lot of soul searching, but it's a, it's, it's a big thing in a business owner has to a one, one little story there and then we move on or there was a way we did it. We, we spoke to a peer group a few weeks ago, Scott Nye and a about two weeks after the one of the Business owners, it was on that a pier call, a called Scott up any, he said, you and your dad, where on that call and you were talking about the personal leg of the three legs. And that really resonated with me because I can tell you I'm four, I'm 40 years old. I sold my business. I made $42 million when I sold my business.

Chris Snider (11m 38s):
But it's now the middle of the week. I'm down my basement playing pool at nine 30 in the morning, my kids are grown. I'm divorced, I'm all alone. And I've got nothing to do. He said is if I were to go back and, and that one, like I made the money, but I would have spent more time thinking about what I was going to do next. It's a very real thing.

Tom Bronson (12m 1s):
It's a it's fear, right? Because they really don't take the time to think about what their going to do next. And that's one of the things about The Value Acceleration Method that I love. You know, we start with that, right? What are you gonna do? What is the, what is your, what is going to fill those ours? What, how are you going to spend your life? And don't tell me I'm going to go play golf and I'm going to go fishing, or I'm going to travel. You can't do that in a a hundred percent have the time. Well, I guess some people with there exits they can afford to do that, but you get bored with that stuff too. A and you got in your life, need's meaning and sow, but the only way to do that is to plan for it, to think about it. I called that, you know, in act three, a I think a seven year book, a, am I

Chris Snider (12m 44s):
A S you know, who am I, what do I want and why those are the three questions to ask yourself. Yeah.

Tom Bronson (12m 51s):
Yeah. So it's that personal financial and business. Those are the three legs. So a, so the second concept is a value and I love the way you put in at the, the way that the chapter is titled. The, it says a value of versus a cross out versus it says value and income. Cause most business owners or many, if not most business owners of small, lower middle market businesses have what I would call lifestyle. Business's meaning that it provides welfare, their family, but it doesn't build a long-term sustainable Value. So in your book, you say the, the business value is the long term goal, not business income.

Tom Bronson (13m 35s):
What does that mean? It sounds like a play on words to me.

Chris Snider (13m 38s):
It does, right? It sounds like a simple, like, you know, play on words, but it, it's not, it's actually a real, a paradigm shift that business owner is going to make it to stop thinking about income. It, start thinking about creating value and do it again, you know? And when you think about it, I, I was at a show on a panel with another business owner several years ago, and I was talking about the concept of value and income. And I could

see him looking at me through this, you know, through the site, in my peripheral vision here. And he's just staring at me, staring at me. And I finally looked at him and I said, what? He says that this, this stuff about value in it com this is a bus, a bunch of be it I'm like, no, it's not.

Chris Snider (14m 19s):
Because what happens is you could have a business that produces a lot of income that doesn't have any value. That's not necessarily a bad thing. If you're not interested in harvesting the value of the business, I don't know why you wouldn't want high risk, the value of the business, because you could increase your wealth by like four, a hundred percent, if you do, in most cases. But a most business owners have a nice lifestyle. They make good money there businesses make good money, but that doesn't necessarily mean that it can sell. If you're in business is dependent on you. If you're, ah, if you have a customer concentration issue, if you haven't packaged up your business, like a product that you could sell, right? If you're a human Capitol, isn't ready for the, the change new ownership, and you could go on and on and on.

Chris Snider (15m 5s):
If those things aren't ready. So we talk about it in the context of attractiveness readiness, right? A business' can be attractive of a lifestyle businesses that are attractive, but it's not ready to transition. Those are two separate concepts, attractiveness versus readiness. I had a business that I talk about a frequently that was a two and $33 million growth. And about two and half million at the bottom line is pretty nice business. Right? And went and did a, a evaluation of that business for the owner. Or as you know what we call it, the triggering event, do the assessment, the interview at the end of it, he's asking me like, Hey Chris, what do you think it's worth? What do you think it's worth? And I'm like, I was trying to stall because I didn't want to give them the bad news. I had a, I want it to figure out like how deliver the news.

Chris Snider (15m 49s):
Because in reality, I was thinking it wasn't worth anything. And he kept pressing my buttons. And I said to him, finally said to him, Ron is not worth anything. And he got really upset with me and then a little embarrassed. And then curious, after he calmed

down a little bit, he says, how can that be? I said, look, you have a attractive businesses from a standpoint of that. It's producing great income for you, but it's not ready to sell. 80% of your business is coming from four customers, which we don't have any contracts with them. And in fact, what is the backstory of this? This, this was a corporate guy that it left corporate to start his own business. The folks that were buying from him when he was at the corporation, move their business over to him because he was their buddy.

Chris Snider (16m 34s):
So I don't need contracts. Right? These are my buddies. And then he did. So he didn't have to do any sales and marketing. So there were no sales and marketing programs. And even bragged to me that he was the best salesperson in the company. He said, maybe there's one other person. That's, that's as good as me. And I'm like, that's not a good thing, because what happens is when a buyer comes in, they're looking at is saying, if you leave or does the business lead with you, right. To those customers leave with U or one of those corporate guys, let's say, you know, he or she gets fired or they move to another corporation in a different industry. What happens? So it's really, you got to think about packaging that business up and the way you do that, as you focus on value first, how valuable is my business to another party?

Chris Snider (17m 24s):
Not to me, to someone from the outside in it's an outside in measurement. And the community of it is that if you focus on value, which we're going to get in to next, how do we focus on value? If you focus on those value factors that drive value, you're also going to get more income. So the best in class companies are the ones that focus on value. First, they also have the best sales growth and the profit margins. You know, you

Tom Bronson (17m 51s):
Touched on something here that the way that I don't want a just gloss over it. And that's the whole owner, a dependency issues. You know, I go too, a lot of events and listen to a lot of speaker's, you know, particularly business brokers or investment bankers when they're talking about owner dependency. And they said, they agree that it's a no-no that they say, you know, you're probably going to take 20 to 30% haircut, meaning or a reduction in value, a transition. If it's a hundred dependent, I think that's BS. I think for,

especially a business that's smaller than maybe 20 to 30 million in revenue. If you're a 50, 80, $90 million business, you might take a 20%, 30% reduction and value.

Tom Bronson (18m 38s):
But if you're a small, the smaller you get, the business is worth nothing. Its worth a, a zero because you are the business. Right? I got a client I'm so proud of him. We first started working together. He was 78 hours a week. You know, doing everything. He w he had his hands in operations and finance and all this. I saw him last week. And you know, he has a four-hour work week. Now. He, he, he says, I work in the business four hours, every, everything that runs like the top. And I'm focused on building my retirement business, which is perfect.

Tom Bronson (19m 18s):
Right? And he's gonna, he wrote a book. He is going to build a business, doing that. What he's done is he's fixed the owner dependency issue. That business is now much more transferable a than it would've been. Why? I mean, the, do you agree with that? That the smaller, the business is the owner dependency is a deal killer. I think

Chris Snider (19m 36s):
What do you use? We consider owner dependence a deal killer. In most cases, the only option you would have it at that point in his maybe selling to a strategic buyer that's already in your industry, right? That can be, that is not going to be as dependent on you, right? Because they already are in that industry. But the fact is that having owner dependence accelerates increases the risk of the business significantly. And anytime risk goes up, the price goes down. So even though you might be able to sell the business, right, you're not going to get premium for. And the other challenge that you have is that the terms of the deal are going to shift from the buyer to the seller, right? So the buyer is going to hedge by saying, okay, because it's dependent, I'm going to give you only half of your money down or 30% of your money down.

Chris Snider (20m 23s):
And you're going to have to take an earn out to prove that this business can run without you. And so in that, and the owners don't want that. You know, the thing is when you get

out of the business, you want to get out of the business. You know, at least you want to get out of their, most of your money, or you might have to live a little in they're in terms of a seller financing. Why do you want to get the biggest chunks you can possibly get? And the only way you're gonna do that is to, you know, reduce the risk of a business owner dependency. I, in fact, Tom owner independence is probably the one thing that I look at more than anything else. When I go into a business, how independent is this, the owner from this business, but it's, it's sorta like your golf swing, right? It's counterintuitive. Right? So the, of you, do you see in my golf swing?

Chris Snider (21m 4s):
Yes. Why are you swimming? The worse, the ball goes, right? That, you know, the more it sprays all over the place, but it is your nature to, you know, you, you know, I get the adrenaline going in and crank it up a little bit when you're really trying to get it out there, you've got to be smoothed. A smooth stroke is really what you want. Right? Yep. And most business owners are in there saying, well, you know, I got to make this stuff happen. I have to do this. I have to do that. And they end up cranking it up and it actually hurts the business quite a bit.

Tom Bronson (21m 34s):
Yeah. A long term. You, you might make some income now, but it's going to kill the long term, but

Chris Snider (21m 38s):
You have a nice lifestyle business. But the lifestyle business, usually that those small business owners aren't able to harvest the wealth. If you want both, you have to focus on harvesting the wealth first, the value of it. And you also have a nice lifestyle business, two at that point, you know,

Tom Bronson (21m 55s):
Exactly. I've never seen anybody focused on long-term value that didn't also drive a good income. Right? I mean, its just the way it is. So, so it was it. What did it go ahead?

Chris Snider (22m 6s):

I was going to say, this is how I came up with these four core concepts in the first place. What I did is I said, okay, 70 to 80% of business owners, aren't able to harvest a wealth, but do you know what a 20 to 30% do harvest there wealth? So the way the learn is I did go out and study at the 70 80, I went and studied the 20 or 30% that were successful. And I'm a saying, what, where are they doing? Right. And that's really what my book is about and what I discovered that there were these, these four core concepts that I talk about or the four common characteristics I saw with business owners who not only have a best-in-class business's, but we were able to harvest the wealth. And that's how I came up with the four core concepts.

Tom Bronson (22m 46s):
And then I played tennis and college. The only way I could get better is play with somebody that was better than me. I never got better by playing with somebody that was worse than me. Right. So, so you're right. Go find the best in class and go do that. One of the most overlooked, it kind of a value drivers are the intangibles a, you call that the four CS. So tell us what they are and why they're important to driving value.

Chris Snider (23m 11s):
Yeah. So the question is, okay, so we agree now we've got to be planning holistically on all three legs. Right? The second thing is we are gonna focus on value. Alright, well what next question, a logic question is what drives value. So somebody had said to me a, in a conversation that is, and it was just a, in a passing conversation that 80% of a business's a value is driven by his intangibles. But I thought, well, that's an interesting concept. You know, not the hard assets, it's all the intellectual, it all what's up here, right? The secret sauce is I like to call it. Yep. So I went out to the sock market and I took a look at Microsoft and you know, you look at their balance sheet and I looked at their market value and I'm like lo and behold, right over 90% of Microsoft value is Goodwill.

Chris Snider (23m 60s):
It's intangible value. So then I thought, okay, well that's a tech company. Let's take a, look it up. You know, like a heavy machinery company like caterpillar. And I went to caterpillar, looked at it in there, stock price vs the, the net assets on their balance sheet. 80% of there a market value was Goodwill in tangibles. And I went back to my clients

that I had worked with for several years. Right. And I looked at their balance sheets versus what I had valued them, you know? And that was finding the same thing that you see in a public company. Its the same thing and a private company. Yeah. The balance sheet does not reflect the value of your business. I think most business you would agree, right.

Chris Snider (24m 41s):
You're business is and at book value, but that's, what's showing up in your balance sheet. And so that's why business owners want to get a true outside valuation. The really find out what percentage of the my business value is tied to my intangible assets. And so when I say focus on value, what I'm really saying is focus on building your intangible assets. So that means it's human capital, customer capital or a really customer. It is really about relationship Capitol, a structural capital. That is all your processes, you know, your back office systems, you're financial structure or you know, it's how you package the company up.

Chris Snider (25m 22s):
Right? And, and then the last one is your social capital, the culture of the company. And it's how those four things interact. You know, your people, your relationships through your supply chain, you or your systems and processes and your culture, how those four things in Iraq or, or the things that really are the secrets I saw some of why your company operates best in class or above average, let's say. And so what I recommend the Business owners who understand where you are from an outside in perspective now, right? How attractive, how strong is my human capital and how ready is it to transition, right? How strong are my relationships?

Chris Snider (26m 3s):
My customer capital, how deep and integrated are, am I in my customers? Do I have relationships where they can't live without right? Those relationships are transferrable, right? Yeah. And there also it mitigates risk. Even if you have a concentration issue, if you're deep into that customer, you've mitigated the concentration, it risks. So I summed it up really in to the four seat and what you'll find. And you folks that are listening today, you and your balance sheet and get an outside valuation done. You're going to find that

80% of your value. If you're going to trade above average is going to be tied to those intangible assets. Now at the same time, if you focus on those intangible assets, human right people, relationships, processes, systems, and culture, you think you're going to outperform your competitors'.

Chris Snider (26m 54s):
If you have a stronger people, stronger relationships, deeper relationships, better systems and processes and a better culture. I'm going to place my bed on you, that you're going to outperform your competition. And that's why I say going back to that previous concept, forget income, focus on building your four CS and you will get the income that comes along with having the best in class, a intangible assets in the industry. I got

Tom Bronson (27m 21s):
It. Love it. It's like I'm at a revival. This is, this is Amanda. And you were making me, I don't want to go stop now and work on the four CS and my business. So in one of my, a recent podcast, guest said that a try to write this down. The culture is the only sustainable differentiator in any business. And to me, culture is one of the biggest value drivers as well in the business. People don't think about culture in that way. Well, before we take a quick break, lets lets get to the final concept because I want to talk about it execution after the break is the end of the final concept to The Value Acceleration process, which is one of my favorite things and what is my that my clients say relentless execution, you know, you're going to be that, you know, we're gonna do this.

Tom Bronson (28m 5s):
It's relentless execution. What do you mean by that?

Chris Snider (28m 9s):
Yeah, that's the main, which chapter it my book, because we can talk about these concepts all day long, but unless you get them done, you'll get them implemented. Right? The implementation really, in fact, a company's ability to execute could be the differentiator in the market. Even if you have inferior products, relationships and so forth, if you can execute, that might be the thing that gets you over to the top. And so

that the challenge with the execution really is process is structure and system. And it's really figuring out not just what to do, but it's more about figuring out what not to do. It's all about focus, right?

Chris Snider (28m 49s):
So the whole idea of relentless execution is one. You have to have a strong, compelling vision. People have to jump on the bandwagon and understand where are we going with this thing? And they have to be excited about it a second. Then you have to align your resources to that vision, which means making trade-offs it. We're going to do this. We can't do that. And that's one of the biggest mistakes. I see everybody trying to be everything to everybody. And that's like the worst thing, pick one or two things that you're going to dominate in your industry and get after that focus all your attention on that third. And then there has to be accountability. So in the process of execution of actually implementing this stuff, there has to be a sense of countability.

Chris Snider (29m 30s):
Now accountability, is it just beating people up a little bit? Sometimes that's necessary. Most of it is about, it's a learning experience. We go 90 days, I know you call them 90 day sprints. That's what I call them. We do a 90 day sprint. We stop when we, we recalibrate just it's like a machine, we recalibrate the machine. What did we do? Well, what do you know? What did we not do so well, let's recalibrate and let's charge again. And so you do these 90 day sprints sprint after sprint, after sprint. And that eventually leads to what I call the fourth, a concept under a relentless execution rhythm. Once your organization builds that rhythm, right? Then all of a sudden it becomes automatic.

Chris Snider (30m 11s):
The golf swing we're talking about, right? You don't have to think about it anymore. You don't have to think about how far your back swings go in. You're just doing it. And when you're organized, when that permeates through your whole organization, that then becomes the culture of the company.

Tom Bronson (30m 27s):

I love that rhythm. You know, this ties very closely with a, a, another, a process that we talk about a lot. And I know you're a big fan of ELs, a Gino Wickman, you know, traction and all of that. A lot of that, you know, he calls the traction. Do you call it a rhythm? I liked both of those words. I mentioned to you. I had the opportunity to be in a private event with the Gino Wickman about a week ago, about his new book, a entrepreneurial leap. It's, it's a fun book and, and worthy of looking at I'll probably review It on the podcast. We are talking with Chris Snider. Let's take a quick break. We'll be back in 30

Announcer (31m 1s):
Seconds. Every business from eventually transition in to meet to employees and managers that some externally to third party Mastery Partners, equips business owners to maximize business Value so they can transition their business on their terms. Using our four step process. We start with this snapshot of where your business is today. Then we helped you understand that why 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 to be able to transition the business on your terms or what are you waiting for more time, more revenue, if you want to maximize your business value, It takes time.

Announcer (31m 44s):
Now is that time to get started today by checking us out at www.MasteryPartners.com or email us at info@Mastery Partners.com.

Tom Bronson (31m 56s):
We're back with Chris Snider, CEO of the exit planning Institute. And we're talking about the value acceleration method for the break. We walked through the core concepts Of value acceleration let's shift over now to kind of the implementation of that. There are three primary phases of the implementation of the value acceleration process discover, prepare, and the side. So many seniors, including us at Mastery Partners run the cycles in 90 day sprints. We talked about that just before the break, Chris, what is the discover phase?

Chris Snider (32m 32s):

And so the, the, the whole idea, this is what I call it. A gating process, meaning that in order to pass from one phase to the next, you have to of pay a toll, you have to get certain things done because if you don't get those things done, the probability of being successful in the next phase is very low. So things have the processes in a certain order. The other thing is that the, the, the, the side gate is where most of Exit planning began when I first got into Exit planning, right? Do I want to exit? That's not what Exit planning begins. Exit planning begins way back in what I call it. A discovery and discovery really is what do I have? And what's this potential and how do I reach, what do I have to do to reach my full potential?

Chris Snider (33m 14s):
And that's what we're doing in the discovery phase is figuring that out in setting a baseline valuation. So this is what you are worth today, but this is what you could be worth if you were to implement these value enhancement factors, right? If you get these things done here's, and it's a very measurable exercise that then sets the baseline for creating a prioritized action plan that will implement and a 90 day sprints. I

Tom Bronson (33m 41s):
Love that a so once you, once, you've kind of discovered a what that is. And part of that is understanding the value of your business, kinda setting the expectation of where you want to go. We use a similar process where we do an assessment. Part of our assessment includes the valuation on the business. So what we think it's worth on the market place today, if you, if it were being solved tomorrow, but that is always an eye-opening experience for business owners. I wouldn't, you agree, Chris and many of them will be like deer in the headlights. You go, what do you mean? And I thought my business where a three times are five times that, and the unrealistic expectations, we can do a whole podcast on that. But, but then we go into a process to understand what it is that they need to do.

Tom Bronson (34m 21s):
You have a financial adviser? Do you know what you need? Do you know, when do you want to exit, you know, what the exit looks like? Cause if you can just, if you know where you are and you've done the assessment and you know where you want to be, then you

can build a roadmap to kinda get there. So, so that kinda is the step that you guys do. And the way that we kind of share this process is the prepare a step. How does that work?

Chris Snider (34m 45s):
So once I, you know, I understand how big my gaps are, write, we call those, we call those the three gaps, the value gap, the profit gap, and the wealth gap will determine that in that discovery process. And once we, we know what we could do to make those improvements, to close those gaps, prepare is really all about implementation. I could've titled it pre you know, implementation right. Really is another way to do it. And the implementation is really done in these 90 day sprints. So once we have our plan coming out of discovery, we're going to select no more than five business and five or personal things to get done. Some of my, a, my friends or the owner friends will, we'll just pick one thing because it's so important, right.

Chris Snider (35m 27s):
We're trying to do is what are the most important things that have to get done in the next 90 days? And then in the prepare a gate, when we are going to do is we're gonna go through an implementation of this is where a relentless execution, the in the rhythm begin to develop, because what we'll do is once we have the plan, we go through what I call each month. We'll have a team accountability workshops where we assess, where are we at getting this a objective completed? We do that in the first 30 days in the next or another 30 days in the next 60 days, we'll do another milestone. And then at the 90 day, we assess the, the 90 day activities. And then we recalibrate, we reset and we do it again. And so you've got to think about it.

Chris Snider (36m 8s):
The prepare a gate is something that's always in flux, its every 90 days going on and on, I met clients 10 years in the prepare a gate, right? They just keep getting better and better and better. The key in the preparer games is to make sure that the action item that you're working on implementing ties to the value factor that you assessed in discovery because of the beauty of the system is that as I'm making this improvement, let's just say, I'm working on marketing and my marketing is getting better and better. I

can go back to the scoring system. And when you raise your score, you're going to raise your value, right? So it's all, again, very measurable in terms of a, of the, you know, its impact on the value of the business, which helps justify the investment that you have to make.

Chris Snider (36m 58s):
It's interesting.

Tom Bronson (36m 59s):
You, you mentioned that a, that you've got clients that have been doing this for 10 years and I've only been doing this for three years after I sold my last company. But one of the most common things I hear kind of on your, what you call, what we really call the implementation phase, right? Which is what you call the prepare phase, where it could be called implementation. What I hear over and over from Business owners is that during that process, as their business continues to get better and it makes more money, it gets more fun for them to, and they'd go, you know why maybe I don't want to sell this business. You know, now I'm having so much fun and I'm making so much more money. This you, you energized me and my business again.

Tom Bronson (37m 39s):
A do you, is, is that a common reaction that you hear

Chris Snider (37m 42s):
It? Yes. And that, that's why we charged along the way and that when we exit the business, because I'd say quite a few business owners get into it and it all of a sudden owner, its the business is not dependent on the owner or anymore. The relationship's have been to, you know, diversify it. A people are doing more and more and the owner could step away from the business and really focus on strategy and growth and maybe on their personal and financial site. The problem with a personal financial site is the owners just don't have time. So when you step away from the business, you have time now to work on a state planning, to work on trust management, to build your financial plans, to do these other things that you have no time to do today.

Chris Snider (38m 21s):
And at the same time while you're preparing yourself personally, financially, the business is actually stronger because you're, you're investing in your human capital, your ability to a, for your staff to run your business the way you want to run without there. And so a, like I say that the thing I really like about it as it's a very measurable 'cause in the discovery will do those value factor. We score them. And then as we make the improvements, we go back and rescore them and then we can really see, okay, we've added X amount of value is which as we've gone a long and sometimes the owners we'll change their mind to. And you know, this isn't a way this isn't as much of a grind is it used to be?

Tom Bronson (39m 1s):
Yep. I, I hear that over and over. And by the way we say that that's a transition process as well. You know, going from being an owner operator too, being an owner investor in the business, those are two different things that those people act differently toward the business. But that is one of the legitimate transition processes that we help our business owners achieve. So like you, you know, we charge basically a consulting fee as we go along and they always ask, well, how much money do I have to pay you? When I closed? You don't have to pay me anything you've already paid me. You know what I, when I'm going to make it all the way along the process. So after the 90 day sprints a and you get their, you guys do a regular check-in that you call the kind of decide phase.

Tom Bronson (39m 48s):
What does that mean?

Chris Snider (39m 49s):
Yeah. So the side would be the third gate and it decide what I asked the business owners to do to bring Exit planning, present tense. Right? Cause that is the plan. It has to be a state of mind up front it present tense. And so what we do is every 90 days we ask ourselves, do we want to keep growing or do we want to exit? And I just simply ask the owner, like, how do you feel it? Like, this is why they sometimes change their mind. Right. Cause they said it like, I'm feeling great. I don't want to sell the business or do you know it's it is also counterintuitive. I probably the best times to sell the business is when

you're feeling great. Right? So, cause the business is going like this and that's when you're going to get the maximum value for it. That's why it's important to have something else to do a but, but regardless you, we want to ask ourselves that question every 90 days, do some soul searching, like, okay, yeah.

Chris Snider (40m 38s):
At some point you're going to decide, you want to shift, right. It could be because of one of the five DS it could be, or it could be age-related health-related, you know, a coven, you know, is an example. I like that up related, whatever it might be, you're going to change your mind. So you know what? I think I want an exit and that's gonna shift the priorities and the prepare a gate, right? Because when your growing a business, you are putting money out there that you're you're borrowing money or investing, right. It's risky business. Growing the business is risky business. When you decide to exit, you might go the other route, start pulling back and clean up the balance sheet to make sure that certain things that were you, you, you kind of de-risked the business in order to drive the value up to S to sell the business.

Chris Snider (41m 22s):
So your, your focus will shift a little bit, depending on which way you want to go. On the longer term, what most business owners don't understand, they do understand that it takes to grow a business, or it takes years to build strong human capital years to build systems and deep customer relationships. It takes years to exit the business to write. So that's why we want to explore it. Because if you decide to shift to say, look, I'm ready to exit. What we wanna do is we, we want to build readiness into the model today so that if you do get hit by what we call one of the five risk areas of IDs, right? You could still salvage some value out of the business, right?

Chris Snider (42m 4s):
You don't lose everything. And the other thing is, especially in today's market time in the market is hot and you could get a call out of the blue with somebody that's got a tremendous offer and they made their again in your business might look attractive. If it isn't ready to transition that offer his going away, or the turns are going to shift or not in your favor. Right? And so by building readiness, as well as attractive this in you are

always and asking that question every 90 days, you're always ready to explore. Now, once you make that decision, we have like seven different options for exiting the business and the, or, or you can move in to what I call it.

Chris Snider (42m 45s):
Advanced value creation, where you are really investing maybe, or acquiring other companies. Are you really investing in the business because you're going to hold it long term. We like the owner to go through the discovery phase once and two, at least to prepare or phases before they really start asking themselves that question, because they're going to learn a lot in those first nine months about themselves, about their business, about their people. And they're going to be in a much better position to answer that question, grow or exit. After going through a couple of cycles of the prepare a gate, that's why I'm saying sometimes they do change their mind. It goes to the other way, too, where an owner will say, look, I want to grow the business. They get, you know, S into to a 90 day sprints and they come back and they haven't gotten anything done.

Chris Snider (43m 31s):
You know, I'm going back to them. Staying in your heart really is still in the game, because if your heart is not in the games, trying to get out, yup.

Tom Bronson (43m 38s):
I have a conversation with our clients. When, when it's just a, as you get a look or you don't need to pay me to sit here and talk to you on the phone, right? If, if, if you don't have the energy to go and execute this strategy, call me when you're ready. No, no, no, no, no. Or I really want to do this. Right. And so a, so I have that

Chris Snider (43m 56s):
Conversation frequently.

Tom Bronson (43m 59s):
So would, you know, I suppose that business owner could, could call me and get a copy of your book or to go on Amazon and get a copy of the book and go out and do this a on their own. But do they need help to do this?

Chris Snider (44m 13s):
Yes, they do. Definitely. So they need a coach who is what they really need. They need somebody that I, that you consider them a project manager or a program manager, you know, and implementer. That's why a lot of EOS implementers, you know, are good candidates for this. A because what happens, you know, you're focused on your business, your people doing all those things. And there are a lot of people that are involved in this process, right? A lot of different advisers and people is you've got the internal people, the external people, somebody he's got to coordinate all that activity and the business owner that that's not their primary responsibility. So you really want to get a coach that comes in that can help, you know, coach and coordinate all of the activity that has to be done.

Chris Snider (45m 1s):
You want to set a budget, you want to set up a accountability. So you could do some measurements. You want to bring in the right people at the right time. You know, you have a lot of connections. That's how I act sort of as a, I call myself the connector for my clients. We'll discover what we need this. Or we need that. Mike, we need, maybe we need marketing or we need an it person, or we need a state planner or, or we need a tax specialist. Well, I know all those people. And so rather than the owner, trying to figure out who to talk to, I help introduce those people to the owner and the owner screen in, I don't pick those people, right? The owner is still in charge, but what I'm doing is I'm doing a lot of the legwork for the business owner so that they can be in a position where they can make an evaluation and make a selection.

Chris Snider (45m 43s):
We moved, remember that this process is fast.

Tom Bronson (45m 48s):
Yeah. I, I have what I call a Tom's yellow pages, you know, you know, is that you don't need it. Don't be searching on Google to find a new CPA or a, a, a financial planner call me. I know people who understand this. I know how they work, and I'll give you a two or three. You have to go talk to all of them, because these are intensely personal decisions.

A lot of time for Business owners. And I want them to have a good a fit for them. So your right, we good is always have a lot of good connections that they can, they can help their business owners with pretty much any type of a situation, whether it's growth or BOS implementation or financial planners, whatever it is, a good CPA has always got a, a bench, a folks that can help hay before we end here.

Tom Bronson (46m 37s):
One last question. You know, you mentioned something earlier. I really want you to go to a, you've been in a business owner yourself. You are a business owner now, and you help so many business owners with this. What is the one that the podcast is all about? Maximizing business value, as you know, what is the one most important thing you recommend business owners do to build value in their business?

Chris Snider (47m 4s):
That's a tough one thing going to give you a two. The one thing that you think is value or focus on value. That's the one thing you got to shift your thinking, the focus on value in the place to start is to do what we call that discovery process. Or we, we refer to it. I write about, I call it to a triggering event because doing the triggering event is going to lie. I get that question all the time. What's the one thing that you'd recommend a business owner do it, I'd say go get a triggering event. You know, because at that point, you're going to have it outside in a look at your business'. You're going to get in an assessment and your business. It's got a lot of detailed, you know, details associated to it.

Chris Snider (47m 46s):
You're going to have all your value factor is scored. You're going to no, where you stand, you're going to know your present value, your potential value. You're going to know your value gap, your profit gap. You're going to learn all of these things. And with that information, then you can sit down and say, okay, where do I want to go? What's my opportunity. It's hard to decide where to go. If you don't know what you're opportunity is, right. Or I don't know. So it, if I have a, business' say it it's worth 5 million and it could be where 20 million, maybe I wanna try to drive, or at least to get to 10 million, but a 5 million is going to close your gap and you're wiped out and you're tired and you're ready

to go do something else in 5 million is going to do it. Then you can go with five minutes, but don't you want to know?

Chris Snider (48m 28s):
And that guest, so that's why I say the one thing would be really good, a triggering event, done it as a concept. The one thing would be a focus on value first, and you'll get the income and sales. You're looking for it. Yeah.

Tom Bronson (48m 42s):
That is great advice for us. We call a, the, the, the tra that the transition readiness assessment that are triggering event, then that we use our own a methodology that, that we developed our own intellectual property. And I tell business owners, you know, it's priced such that it just doesn't make any sense not to do that. Do that first step. You're going to know so much more about your business a after that first step. And so a, so I agree with you. You're the first guy that's been on my podcast that said, do Thom CRA to that, or for any other CA, but due to the triggering event to the business,

Chris Snider (49m 17s):
Right. That's where it all starts. You know what I mean? We can't skip that step. Whether you're buying, improving, growing, or selling, you got to start with the baselines. What do I have a right. What's in a potential and what do I have to do to get there? And then, then you can start having some real interesting conversations about how engaged, enthusiastic, you know, sometimes the owners will try it. Okay. You know, I, one of my favorite phrases let's try it. You know, like, like let's just, let's just try it for 90 days. And if it doesn't work, you can throw me out. But I can't think of too many times I was throwing up, you know? And it works if you put your heart into it. Yep.

Tom Bronson (49m 54s):
I agree. So our longtime listeners know that we don't end with that. A good question. We always end with our bonus question. And so Chris, I have to ask you a bonus question. Why I can't wait to hear the answer to this? What personality trait has gotten you into the most trouble through the years?

Chris Snider (50m 13s):
Let's see. I would have to say my lack of patience. That's a good one. That's a really, I think that what it is, you know, I'm, I'm, I'm, you know, me time, like I, you know, and I want to get things done. I want to move, move. And sometimes you just have to be a little bit of a patient's right. Taking a little bit of time in a little bit of patient. And, and, you know, and I look back at some of the mistakes that I've made. Most of them were related to that. I moved a little to quickly, right? Cause I was a patient in the left to let something evolve, right. Or he didn't give myself enough time to let it evolve.

Tom Bronson (50m 51s):
You and I are a lot or like their eye. I'm a big fan of the culture index, a pastor in class this morning, we had a, the culture index make a presentation. And of course we always have them to start with me, show me to show my culture index. I am high a, a, a, almost off the charts, a, almost a zero di, which the a C is the gas pedal and the di is the brake pedal. So I, they say Bronson is all gas, no brakes. He needs to have people around him to tamp on the brakes every now. And, you know, let me too, let's talk about that. Exactly. And so how can our viewers and listeners get in touch with you or, or, or The exit planning Institute?

Chris Snider (51m 36s):
Well, the easiest way is just to go to our website, a Exit planning-institute.org. You will find a lot of information webinars. A lot of educational materials is, you know, or, or, you know, you can email me at CSnider@exit-planning-institute.org as well, you know, or just call the office, you know, we've got <inaudible>, we got 26, a hundred C is now all over the country. So, you know, if you're looking for some help, we're, we're here to help direct the business. To remember our mission is to help businesses or at the end of the day, that's what we're trying to do, right? Yeah. Yeah.

Tom Bronson (52m 15s):
We help business owners and you can find the list of seep us in your area. Of course, we work all over the country. A, you know, we're, we're proud to be a secret organization and Mastery Partners and a great partner, a in The exit planning Institute, thank you, Chris,

for being our guest today and walking us through the value acceleration methodology and so much more.

Chris Snider (52m 36s):
Thanks a lot of time. I appreciate the opportunity.

Tom Bronson (52m 40s):
You can find chris Snider exit-planning-institute.org, or on LinkedIn, of course, you can always reach out to me and I'd be happy to make a warm introduction To my good friend. This is the Maximize Business Value podcast, where we give practical advice to business owners who are interested in how to build long term sustainable value in their businesses. You sure to tune in each week and follow us wherever you found this podcast and tell your friends about us a B. Sure. Let us know if there's something that you'd like us to cover on a future podcast. So until next time, I'm Tom Bronson reminding you to find a CEPA and use the value acceleration methodology while you Maximize Business Value.

Announcer (53m 23s):
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 and how to build a long-term sustainable business value and get free value building tools. Why visiting our website, www.Mastery Partners.com that's master with a Y, MasteryPartners.com check it out.

Announcer (53m 56s):
<inaudible> that was perfect. I wouldn't make any changes on that.