



MBV Podcast Episode 94 Transcript Start Exit Planning NOW!

Speaker (5s):

The maximize business value podcast. This podcast is brought to you by Mastery Partners, where our mission is to equip business owners to maximize business value so they can transition their business on their terms. Our mission was born from the lessons we've learned from over 100 business transactions, which fuels our desire to share our experiences and wisdom. So you can succeed. Now, here's your host, 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 businesses over the next few episodes. I want to paint a picture for you to understand why every business should make exit planning a priority and why you should start working on it today as investor and entrepreneurial icon. Carl Allen would say the only reason to have a business is to sell it and get paid for it. And I agree, however, I want to be clear that doesn't mean that you need to sell your business right now next year, or even in five years, I was introduced to an entrepreneur last week, who, when I told her the Carl Allen quote, she said, well, that's not for me at all.

Tom Bronson (1m 29s):

I've started, I haven't been working so hard to get here. I don't want to sell it. Look, I understand again, exiting the business and getting paid for it, maybe long into the future for you. But if you start maximizing the value of your business and working on your exit strategy, now imagine how valuable it can become when the time comes. The sad fact is that 83% of all attempted business transaction transitions failed to reach the finish line. That's worth repeating 83% of businesses that put themselves on the market that go up for sale, never closed a transaction.

Tom Bronson (2m 18s):

That statistic means a mere 17% exit successfully. And by the way, family business transitions or intergenerational transfers are not much different. Only 30% of those businesses successfully transition to the next generation. Now, look, there are countless reasons why business transitions fail. In fact, I could probably fill an entire podcast with an exhaustive list of reasons.

So, but here let's take a second and examine why those precious few in the 17% minority succeed, a few of them are just disruptive businesses that command a high valuation by large suitors.

Tom Bronson (3m 7s):

Some are just playing lucky in the right place at the right time, but the majority of them have one thing in common. They are prepared. Being prepared means that the business owners has, has defined an exit strategy and has relentlessly executed that strategy until he or she has reached his or her goal, they are laser focused on building long-term value. Most successful owners have had great internal and external teams help them achieve their goal.

Tom Bronson (3m 47s):

And that goal has been to exit the business at the highest possible value building value and transitioning a business is a process and it just takes time. It's a process, very different from running a business on a day-to-day basis. Let's face it. No one can do what you do. You started or bought this business and grew it to where it is today. You're simply the best at what you do. I don't argue that fact at all, but D what do you know about exit planning? If you're like most business owners, and if you're being honest, very little, but that's okay.

Tom Bronson (4m 29s):

You're in a copy of my book, maximize business value, begin with the exit in mind and listen to this podcast in the next few episodes of this podcast. And you'll have some information you need to get started in the right direction. So let's back up and talk a little bit about the numbers. There are roughly 28 million businesses in the United States of those only 6 million have employees at least more than one employee. And the vast majority of those 99.7% have 100 million or less in annual revenue.

Tom Bronson (5m 10s):

We call that group with less than a hundred million in revenue, the lower middle market and small business sectors each year, approximately 250,000 of those companies with less than a hundred million in revenue will come up for sale, putting themselves on the market and looking for a buyer of those 250,000, looking for a buyer only 42,500 of them will actually complete a transaction. Now digest that for a moment of all the businesses that come on the market only 17% will succeed in closing a transaction fewer than one in five, a whopping 83% of attempted transactions fail.

Tom Bronson (6m 5s):

I know it sounds hard to believe doesn't it. You work your butt off for 15 or 25 or even 50 years with the goal of selling your business and traveling around the world, retiring to your favorite vacation spot or volunteering more only to find out that you're not able to sell the business into which you have poured your very existence, or let's say that you do get your life's work sold, but the selling price falls way short of your expectations. No one ever talked about that nightmare.

When you started your business, although there are seemingly endless supplies of articles written on wildly successful exits with small companies gobbled up by giant BMS for billions of dollars.

Tom Bronson (6m 59s):

The fact remains that these are only the tiniest minority of business transactions. Most sales are never written about, and certainly most failed exit attempts, never make it to the press. So we're left to draw conclusions based on the minority of transactions that do actually get the light of day. Why does some business owners successfully exit and others don't and what can you do now to get into that elite 17% club of owners who successfully transition their businesses? Well, there's precious little material, good material.

Tom Bronson (7m 41s):

There's a lot of material, but precious little good material on how to exit your business successfully. Having participated in a hundred transitions myself. I understand why most business sales wind up in that 83% category. It boils down to a lack of knowledge, leading to little or no preparation. Now, as I've already stated, most entrepreneurs know how to run their businesses and how to do it successfully. Many times that success drives a sense of invincibility and pride. Let's face it. I can do that. I can do anything. Attitude serves owners well while they build wildly successful businesses.

Tom Bronson (8m 24s):

And when it's time to sell, they believe they'll knock it out of the park. Just like with everything else that they've ever done, right? Most entrepreneurs know tons about their businesses. In fact, it's likely no one on the planet knows more about your business than you do, unfortunately, unless you've been through a business transaction before you likely know very little about exit planning and worse, there's darn few places you can turn to, to get, or even what to do next. So when it's time to sell, where do you turn? When you want to sell your house, you call a real estate agent, right?

Tom Bronson (9m 7s):

They walk through the house, tell you what you need to do to make it more sellable, and then list the house on the multiple listing service or MLS a universal database, where you can find out everything there is to know about all the houses on the market, and then your neighborhood in business. It's a little different. There is no MLS for businesses for sale. The capabilities of business sales experts range widely. Although this podcast is not about the sales agents. There are two general categories of professional of professionals dedicated to selling businesses. They are business owners and investor bankers or business brokers, I'm sorry.

Tom Bronson (9m 49s):

And investment bankers, business brokers typically work in the micro-business category with less than 5 million in revenue or in the small business, under 20 million. Although some do

larger deals, investment bankers typically handle everything else. Most specialized in the middle market, which is five to one, 5 million to 1 billion, depending on who you talk to most brokers and investment bankers have a particular industry in which they focus. Although it's been my experience that most of them will go anywhere. So you reach out to someone you may have met, or you get introduced to someone that you know, who is in the business of selling businesses.

Tom Bronson (10m 31s):

You tell them that it's time to sell your business. They jump into action, slapped together, listening, and you're off to the races, right? Not so fast by the time you're ready to sell. It's too late to be proactive in preparing your business for sale. And yes, you need to prepare for that sale. Just like he prepared the house, James, the carpet painted the walls, fixed up a little. You need to prepare your business for sale. And that process can take several years. Even under the best circumstances, brokers and investment bankers make their money at closing it's time-tested model.

Tom Bronson (11m 13s):

They list your business either for free or at some reasonable retainer, and they make the bulk of their money. When they help you successfully close a transaction, just like an agent does when you sell your house. Therefore it stands to reason that they need to close deals to make money. And so deal flow becomes very important to them. Brokers and bankers are not all created equally. So it is really important to find a good and reputable one when it's time to sell most exits fail though, because the owner does not start the process early enough to prepare the business for a successful exit.

Tom Bronson (11m 54s):

The simple answer is to start early and have a strategic plan. A concrete exit plan provides the guard rails as you drive your business where your ultimate goals and dreams. And I get that, that is easier said than done. Next week. We're going to talk about how some of them are talk about some of those things that can catch a business owner off guard or force an exit when it's not even wanting. This is the maximize business value podcast, where we give practical advice to business owners on how to build long-term sustainable value in your business. Be sure to tune in each week and follow us wherever you found this podcast and give us a comment or suggestion for a future podcast.

Tom Bronson (12m 42s):

So until next time, I'm Tom Bronson reminding you to start planning your ultimate exit strategy. Now, while you maximize business value,

Speaker (12m 59s):

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 on how to build long-term sustainable business value and get free value building tools by visiting our website, www.masterypartners.com that's master with a Y mastery partners.com. Check it out.

Tom Bronson (13m 44s):

That was perfect. I wouldn't make any changes.