

[Subscribe](#)[Share ▾](#)[Past Issues](#)[Translate](#)[View this email in your browser](#)

## Business Succession and Selling



Transforming Business Ownership into Financial Security™

Will Your Business Pay for Your Retirement? ©

2108 White Cloud NE • Albuquerque, NM 87112 • 505.856.2646 • [Michael@Podolny.com](mailto:Michael@Podolny.com) • [Business-Succession-and-Selling.com](http://Business-Succession-and-Selling.com)

**Volume 14 Issue 1**

# How to Change the Valuation of Your Small Business

## Dealing with the Critical Variable - You!

By Michael Podolny, President, The Podolny Group, Inc.

### How Do We Change Our Outcome?

In our last issue, I discussed how important it is to understand that a business' value and marketability can be affected by numerous factors many of which an owner would not normally pay attention to during the course of a long business ownership experience.

Some of these are:

- Use of business metrics to drive accountability
- Sustainable business systems
- Quality of financial information
- Formal processes and procedures
- Systems for people management and performance

[Subscribe](#)[Share ▾](#)[Past Issues](#)[Translate](#)

There is a common thread going through this list. They all require some human interaction to have effect. People cause these types of things to happen. And it has to be a person at the top of an organization. They set the tone and motivate the organization to use them.

In the privately owned business, it is going to be the owner who fills that role.

Assess how well a business is running as I do and you will find another common thread. *A business' weaknesses correlate almost exactly with where an owner doesn't like to do something, aren't good at doing something, or are tired of doing something!*

### **Success From Coming to Grips**

This is not an indictment. All of us are this way. I've assessed my own business from time to time and I've confronted it myself. (Which is pretty embarrassing I must say as one who teaches these things!)

The question you need to ask yourself is "*how important is it to change in order to achieve the goals I want?*" If, as with so many of my clients, you assess the value of your business only to find you are far short of funding your desired financial independence, the need to change may become important indeed.

It comes down to this. The only way to achieve the end you want...a successful return on investment for your years and years running your business...may require you to change and work on those very things that you've avoided for years because you're not comfortable with them, don't like them, or are tired of them. You will need to come to grips.

Here's the good news. If one does make the commitment to change - that commitment is the single most powerful force to getting the results desired. Once you have made the commitment to working on change, you've done the hardest part. Not all of it. But the single hardest part of it.

### **Start Small And Accomplish Big**

If the commitment to change is the biggest hurdle to our success, the second biggest is getting overwhelmed by the magnitude of what we might have to do to affect the

[Subscribe](#)[Share ▾](#)[Past Issues](#)[Translate](#)

changes occur. Here are the secrets to making them.

We should never underestimate the challenge of actually changing. Our habits are powerful forces including our habits to not do certain things. When we undertake the challenge of changing and working on the business disciplines that will increase profitability and value, we are undergoing the process of breaking old habits and building new ones.

I've found the magic ingredient to making this happen is breaking down what appears to be overwhelming into many, many small steps. The steps sequenced together get us where we want to go. But no one step by itself is daunting. We take it a step at a time. We can say to ourselves as we focus on each single step, "Well I can at least get that done this week." Before we know it we are looking back and seeing significant change and new habits.

#### **Case Study - Going From No Value To High Value**

My client was an engineering firm with four owners. Two were the managing partners and the other two were owners but didn't have any management responsibilities. When I was brought in there was a lot of friction. One of the non-managing owners wanted to be bought out because of age. I had the unpleasant task of telling them that his ownership had no value because financial performance was so weak there were no profits. In fact the owner salaries didn't even match what they could have gotten if they had just had a job at a larger firm.

Our assessment process had found while we were coming up with the valuation a classic combination of factors that eviscerate value – no project management/accountability and owners who disliked managing people. After giving the bad news about the valuation, I countered with some good news. I was confident that if they would commit to some change concerning their attitude toward managing people, we could most likely get some real improvement in valuation.

As discussed above, I built out an action plan whereby we could slowly address the project management problem. My team designed some simple pathways for defining roles and getting the team to discuss how we could manage job progress along the way. This was followed by a period where we coached them in running weekly project progress meetings. There was no major attempt to change owner or employee attitudes overnight. But there were opportunities to see problems arising and address them. After a few months of this coaching, the client felt confident to

[Subscribe](#)[Share](#) ▾[Past Issues](#)[Translate](#)

continue on by themselves. Their behaviors had changed.

We started in the winter of the year and by the end of that year financial performance had improved so much that the four owners each got salaries and bonuses equal to the top quartile of their industry while profitability was equal to 10% of revenue. By the end of the next full year their profitability was 20% of revenue...just by making a commitment to change and work on something they didn't like and attacking it in small bites.

Get the [Will My Business Pay For Retirement Assessment](#) © Today

There is no reason for a business not to produce the types of returns that will allow its owner to get his or her just rewards. If you are that owner, simply doing our assessment will highlight where your opportunities are and how to change to take advantage of them. Contact me at [michael@podolny.com](mailto:michael@podolny.com).

[LinkedIn](#)[Facebook](#)[Twitter](#)[YouTube](#)

Copyright © 2014 The Podolny Group, Inc., All rights reserved.

[unsubscribe from this list](#)[update subscription preferences](#)