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Business Succession and Selling



Transforming Business Ownership into Financial Security™

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2108 White Cloud NE • Albuquerque, NM 87112 • 505.856.2646 • Michael@Podolny.com • Business-Succession-and-Selling.com

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Building Value Can Be Counter Intuitive

Maximize the Value of Your Business by NOT Growing

Let's assume you are an owner who has come to the conclusion that you're ready...you're ready to move on to another phase in your life and that means the time has come to think about selling the business. Like many owners this thought may have come to you rather suddenly. It could be life circumstances, business circumstances, or just the loss of energy that comes from having done the same thing for a long time that leads you to this point. But it hasn't been in your mind before and now that it has come to mind you want it to happen sooner rather than later.

Once you've decided a sale is your goal, you want to make sure you get the most value possible from your business. You start thinking you should try to grow the business in order to increase the value.

The Relationship between Time and Growth

This is where the owner needs to get realistic fast about when they want to be selling, and what it will take in money and effort to get growth. Here is a simple axiom:

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The shorter the time frame until you sell, the less likely the attempt to grow will increase the value received

The reasons for this are:

- Initiating growth almost always requires expending cash for people, services, or equipment
- It takes time for these investments to take hold and produce the desired growth
- Growth must produce enough additional cash flow to return that investment and produce demonstrable profits
- A company must have a long enough track record of profit growth to affect the company's valuation

So if an owner is looking at selling in three years or less, it is highly unlikely all those conditions can be fulfilled.

Restricting Growth and Increasing Value

Remember that the value you are concerned with as an owner is not just the value of your business, but the amount of cash you have available to invest and fund your post ownership lifestyle. *That means money you take out of your business and put into investments is just as important to building value as the money you get from the sale of the business.*

You perhaps can see where I'm going. If you're going to sell in three years or less, you might be much better off restricting investing in new ventures (as long as this is viable competitively) and maximizing the cash you take out over the three years from the business.

I recently worked with two very different businesses, one a plastics manufacturer, the other a health services company. When we analyzed the numbers and looked at how much we needed to invest to get a bump in sales and profits and how long it would take to see the bump in sales and profits, it was very clear that the safer and easier option was to hold the business in a steady state and maximize the amount taken out until the time of sale.

Don't Guess - Quantify

Each owner's selling situation is different. There is no reason to guess what your outcome will be or hope you get the outcome you need. I have developed very reliable processes for quantifying your options that take much less time and money

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than you would think. If you don't want to my blog, call me at 800-882-2676 or email me at michael@podolny.com and schedule a free initial consultation.

Want to learn more about how to use your business to create personal financial independence? Read my book "Shortcut to Security, How To Make Your Business Worth More To You ©". Available at Amazon.com (<http://amzn.to/Zd9GDr>).



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