

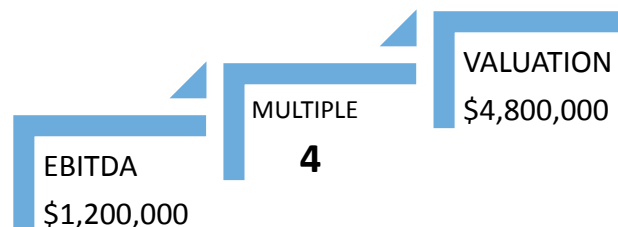
## Jim's Profit Accelerator 53: Succession, Valuation, and Multiple Magic

Let's shift from changing your life as a leader (the succession discussion) to changing the valuation of your company. Further, let's boil it down from swarming insects with conflicting ideas to a simple truth:

**SPEED BUMP:** Your multiple is the highest leverage path to growing valuation.

We've already linked company valuation with your personal security and life going forward. Your investment advisor will remind you that your net worth will rise faster from your business than from anything she can do for you—and your net worth is the gate to reducing pain and finding some pleasure. (No, money isn't the answer to everything, but it helps.)

Here's how to calculate your valuation:

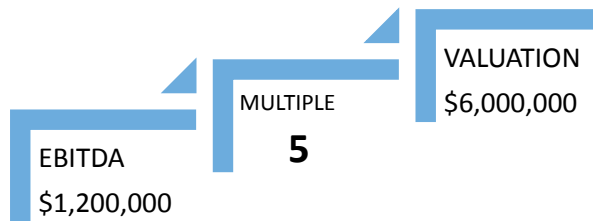


Market multiple is a comprehensive estimate of a company's power in its markets: financials, markets, customers, resilience, ability to execute and grow, potential niches, leadership, and more. In spite of its use in selling a business, it can be a high-impact signpost to boost performance, when it tracks the effectiveness of leadership and strategy execution.

Stop writhing and just use a "4" multiple for now. Your goal is to grow your personal net worth, not to argue with the accountant doing your business valuation.

Once you begin to have profitable growth, accelerate that growth by following these steps to build your multiple. Each step moves up your multiple by one (which also boosts valuation):

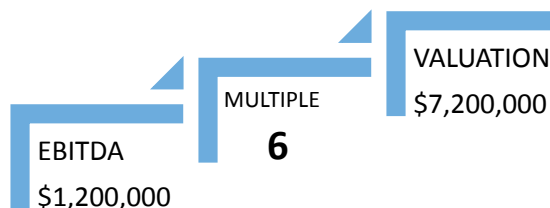
**Step 1—Grow 5 Percent Every Year.** Clear the thicket so that your sales and operations teams can continue to deliver 5 percent growth every year. Make growth "something we do here," alongside quality and efficiency. Growth is never about markets or competition; it's always about how you deliver your offering to your customers.



**Step 2—Build a Management Team.** Shifting leadership from the CEO to a good-enough team is so hard that few accomplish it successfully. Your leadership team at best will be your top leaders who come together with competing agendas. As they shift to a few common goals, their personal competition will drop to a dull roar. Recognition of success will power the group to more success. Guiding their development may be the hardest CEO job that’s seldom discussed, even though it’s the doorway to life-changing results.

At one of the companies where I worked, cash plummeted right along with late shipments. Spotting the problem was easy: the current production manager hadn’t grown with the business, and was over his head. Resolving the problem and restoring cash came only when a dysfunctional leadership team reunited to solve this problem. They found the solution in two hours and installed it in two weeks. A three-year-old problem was fixed in six weeks, and the return to solid results continues to this day!

**SPEED BUMP:** Your leadership team will boost your multiple when they can run the business without you for three months.



**Step 3—Find a General Manager.** Yes, this is much tougher than building a leadership team that needs course correction from you. The payoff is big enough to justify the effort for most folks. It includes:

- A boost in valuation
- Shifting your role from owner-manager to investor
- A repellent that removes most of the welts of daily management

One way to grow a general manager (often better than trying to hire from the outside) is to include that objective as you build your leadership team. That may mean hiring an outside candidate to a position on your leadership team, where you can mold their skills and observe their leadership strengths. At worst you’ve improved your leadership team; at best, you have a G.M. in the chute.

**Bonus: Develop Audited Financials.** If you want to maintain the option to sell, the return on audited financials can be at least 10-to-1 or more. If you continue with compiled financials, your multiple will drop by one (e.g., from 6 to 5), costing you the equivalent of one year's EBITDA. Here's the path:

- Five years before the earliest possible date when you sell or step back, improve your compiled financials.
- Four years before, shift to reviewed financials to finish the cleaning to prepare for audited financials.
- Three years before, shift to audited financials, and continue for at least two more years.

**ACCELERANT:** Why not challenge your leadership team to grow the business and cut your workload?

For more information on how you can accelerate revenues and profits in your business, please call or email me.

For more information, visit [www.grewco.com](http://www.grewco.com).

Jim Grew is an expert in CEO-level strategy and executive leadership whose clients refer to him as the Business Defogger and Accelerator. Jim helps leaders swiftly discover the hidden opportunities within their businesses and exploit them for dramatic results. Nearly three decades of success as a COO and CEO coupled with his experience running nine thriving businesses provide the foundation for his consulting work as president of the Grew Company. He presents regularly to industry groups, mentors business leaders, and shares insights on his blog, BizBursts.com: <http://bizbursts.com/>. He holds BA and MBA degrees from Stanford University.

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