

*And now taking care of business, your hosts Craig Moen and Shye Gilad.*

[00:08] Craig: Welcome to Business Owners Radio episode 208. Our guest today is Justin Goodbread, author of the new book, *Your Baby's Ugly: Maximize the Value of Your Business or You'll Have Nothing to Sell*. Justin is a financial planner, award-winning educator, multi-business owner, and with his book, offer secrets for getting your business ready to sell. Let's take care of business with a conversation with Justin. Good morning, Justin. Welcome to Business Owners Radio.

[00:39] Justin: Thanks, Craig. Thanks for having me.

[00:41] Craig: It's great to have you onboard today. Beautiful morning. What a great topic. But wow, it's an amazing book. I always have to ask, what drove you to write this book?

[00:52] Justin: So the title of the book is *Your Baby's Ugly*. What drove me to write that was, working with business owners for the last 20 years, I realized that business owners have about 80% of their net worth in their business. And we have this pipe dream that where one day somebody is going to ride in on a white horse and offer us some imaginable number, and we're going to sell our business, and that is going to satisfy our retirement needs. The sad part about this is, Craig, statistically that doesn't happen. In the microbusiness space, which is who we're talking to, those under 10 million in annual revenue, that's about 5.3 million businesses that employ people. Out of those 5.3, only about 13% of those businesses will actually transact or will actually sell to somebody else. That means there's a significant portion of business owners who have this amazing dream, this pipe dream that this white knight is going to ride in, that is never going to really receive the value of their business. And so I wanted to write a book that really shocked the business world, which is why I titled it *Your Baby is Ugly*, because we view our businesses as our baby. I wanted to shock the world. I wanted to also give a perspective, a teaching guide on how we can change the narrative, how we as business owners can build a business that can meet our personal financial needs, while at the same time addressing the concerns that we business owners have of caring for our team, caring for our customers, caring for our vendors, how you can design a business where everybody can win. So that was the desire to write this particular book.

[02:26] Craig: I was enjoying a number of lines, and one particular was - *created a business only a parent could love*. It's really startling for a business owner to really put their heart into something and all of their energy and funding and family deprivation and so forth, and end up with something only they value. What's going on there?

[02:50] Justin: You know, the sad part about it is that we do. We as business owners, we pour our blood, sweat and tears, many times we'll spend 50-60-90 hours a week creating this baby. That's really no more than the Frankenstein story, that someone else is viewing it as a monster. And the reason for that is oftentimes we're spinning so many plates that we become the epicenter of the business. We become the linchpin that holds everything together. We

really never design, if you will, the golden goose. We really never design that business that can work through autonomy, that can work without us – the business owner.

Michael Gerber wrote in his famous book *The E Myth* that oftentimes we work for a lunatic, and the lunatic is us. That is where the fall-off is. What the challenge is, as business owners, we have this passion, we have this desire, we know our product or our service or our customers, we know what to do to meet their needs. But yet many times we don't see that every action we take today in this calendar year is going to lead to a result sometime in the future, and it's going to break that myth, that white knight riding in to buy our business is going to break it and make it where an investor is not going to view our business as the beautiful baby that we see it to be. And so I think it's a lot, brother. I think it's like a planning. I think it's placing ourselves to the epicenter. I think it's a lack of understanding on how the game of business is really played.

[04:18] Craig: Yeah. That business value keeps coming up. We all have our values of our business and what we feel is important and providing value to our clients. But what elements do you think in business are driving the most value into our business?

[04:34] Justin: Yeah. So let's define our terms there. Whenever I hear *value*, I can think of two different types of definition. One may be our core values – some of them, like for me, one of my core values that I have is *turn the turtle*. I was in the woods one time with my dad. He saw a little box turtle, it was upside down and he reached over and turned it over. I think it's a common movement, and I just stopped and said, "Hey, dad, why did you do that?" And he said, "What do you mean?" I said, "Why did you stop and turned that turtle over?" He said, "Because it needed my help and I could help it." So that's a core value that maybe a person would have. Whenever I talk about value, I'm talking about what is the value that a buyer would look at and be willing to put dollars behind that number. So in order to drive the value of a company, we have to understand how valuation works, what a buyer is going to consider something that's going to drive value.

So there's two key areas to value – you have tangible assets, which is what appears oftentimes on a balance sheet. That may be machinery, equipment, cash, accounts receivables. But then you have intangible assets, and those are the things that make us feel warm and fuzzy about business. We can name lots of businesses out there that have high intangible assets. If you look at Apple, you look at Starbucks, both of their stock price should not be where they are at based on the actual book value of their balance sheet. But what we as business owners can do to drive the value that somebody is willing to pay us at a future date is to work through those areas of intangible assets, those things that we can see, that we know is there, that we really have a hard time quantifying how it directly increases value. In order for us to increase the value of our company, we have to grow the intangible values of our companies. We break that down into eight key areas within the book. We break that down into eight areas that if you can pause as a business owner and do an examination of these eight areas, you can identify where you're strong and where your weak in. The eight areas that I see that we can work on value is as follows – we have planning. Where do we want our company to be in 3, 4, 5, 6, 7, 10 years? What's the purpose of our company? That's planning. We have leadership. Whenever I speak of leadership, I'm talking about bottom-up, top-down

leadership. The reason why I say bottom-up first, is because we want every person in the company to be moving in the same direction, almost like a football team charging the same end zone. That's leadership within a company. That's a value that you can quantify through intangible assets. We have sales. That's the sales process. Oftentimes in the small business world, which is what we're talking to, the business owner is the greatest salesperson, and now they placed themselves at the front door of the business, at the epicenter, in the very center of the door. And so we've got to correct that, we've got to have a sales process that removes the business owner from it. That's an intangible asset. We have marketing as our fourth area that we like to look at. Marketing is knowing specifically who is your most profitable and most retained customer. That's marketing. You have people, that's the fifth area. That is how strong is your team. If you have a strong team that has education, they can do cross pollination within the company, if they have good papers, in other words, good pedigree, these people know what they're doing, they've operated a company like yours before, that's a strong team. That's going to bring a buyer into more comfort with who they're going to work with once the owner is gone. That's an intangible asset. We also have operations. We hear things in the manufacturing world like lean or 6 sigma, this is operational throughput. Well, in every business, whether it's retail manufacturing or service, there is operational throughput that we can create and move the roadblock, straighten out the throughput of the company to where it becomes hyper efficient. That's intangible asset. Then the last two is finance and legal. Those are two different areas that oftentimes are subcontracted out to outside parties, maybe a law firm or an accounting firm. But internally, you can have systems and processes in place today that will make a buyer more comfortable, that the risk of your company through proper legal contracting has been done properly and that there's very little risk, and that the accounting numbers that they're looking at, not only from past performance but also the performance that you end up having to build as you sell your business, that they're as good, strong comfort in the numbers that are projected.

So to your root question, Craig, as we're trying to grow value, we have to, as business owners, look in that eight key areas and identify the intangible assets within those eight key areas, and then get to work on building those intangible assets, while at the same time removing ourselves from the center of the business. And that's what we deal with in the center of the book *Your Baby's Ugly*, we broke it down to three areas. The first one is, hey, let's identify where we're at. Now, let's dive into these eight key areas, and I have questions and answers or questions behind the scenes that you can start asking yourself within multiple different segments of those eight areas. And then the third part of the book is now that we've self-assessed, how do we actually create change? What's the impetus for us to move our business from where we're at today to where we want to be?

[09:29] Shye: Justin, where do you find people struggle the most in this process? Like, you talk about those three areas. Is it sort of understanding where they are right now, developing the change or actually making the change?

[09:41] Justin: Man, that's a great question. I have not been asked that question in a very long time so I appreciate that question. You know, we as business owners, we spend a lot of plates. It's almost like we're at the carnival and we have the plates on the stick, and as soon as one

starts to wobble we jump over there. I actually refer to it as firefighters in the book. We often run around putting out fires. The challenge is, we started a business with a passion or a desire, and the business quickly captured us, and it holds us hostage. So what business owners do is we run around and we get ideas. We read books. We listen to podcasts, which I encourage. We go to seminars and we hear ideas. And we hear a friend down the road or a friend across the country in the same similar business, in the same micro economic environment, or the same [inaudible 00:10:26] style business that had great success with this idea. Here's the fall-off, and I consult business owners nationally. We get hundreds of business owners. I speak to thousands per year. And without a doubt, it comes back to that one problem of planning. Where are we at today? How do we get here? And let's pause for a moment. Where do we want to be? And why do we want to be there? If we can never pause as a business owner and say we know exactly what led us here and exactly where we want to be, then everything else is academic. The how to do it is not as important as the why we want to do it. And so I think the disconnect is we only go to the how – how are we going to get more revenue – without knowing why do we need more revenue. And so if we can come back to the why, where are we going? Why do we want to get there? Then the how is academic, that's the first thing I see.

The second thing I see is that we as business owners are a very interesting bunch. We are very domineering. We don't need help. We're the person who's going to charge hell with a water pistol. That's us. Someone tells us "no, you can't do it", we're going to find a thousand ways to prove them wrong. Well, with that attitude that helps us become successful, we often lose humility. We often lose the fact that we need coaches. We need somebody who understands where we're at, how we got here, and specifically where we're going. And without that, we go and we say, hey, we need a sales coach, help us increase sales. Well, why? How is that going to help us reach our long-term mission? So I think the two problems that we have, Shye, is this – we don't stop and identify where we're going and why we want to get there, number one. And number two, we don't have accountability partners, who are invested in our success. Those are the two weaknesses I often see.

[12:11] Shye: Yeah, it's so true, Justin. I have to tell you, when I hear you talk about this, one of the things that comes up for me is how hard it can be for human beings to visualize the future. We talk a lot about the importance of having this great vision. But often, people don't start businesses with a great vision in mind. They start businesses because there's some opportunity. They happen to be pretty good at something. There's an opportunity to get a contract, or there's an opportunity to go out on their own and try something new. We live in a time where people are seeing more and more that maybe signing up to work for a big company is really not the best path forward and is no longer a way of reducing risk, so more people are trying to become entrepreneurs, and start maybe a side hustle that they can develop into a full time way of being in the world. Some of that focus is just tactical and circumstantial. It's a place that I think all of us really struggle. Like, what do I really want this thing to be? Who do I want to be in the world? Do you have ways of helping people think about that? And maybe you can give us an example or two of how maybe you've worked through that yourself?

[13:19] Justin: Sure. I think you said it well, that whenever we first start off in business, it's an opportunity. We'll work with anybody who can fog a mirror, as the old saying, and we're just trying to pay a bill. We're just trying to make enough money for us to either break away from our current nine to five job, or perhaps make enough money for us to just feed our family. We have these dreams and aspirations. And candidly, I think it's a misnomer that we don't know where we want to go. All of us have dreams, all of us say that we have something that we're working for – maybe it's prestige, maybe it's money, maybe it's position, maybe it's title, but everybody has that. Now, being able to identify it comes from a lot of questioning, a lot of pausing, a lot of self-assessment. But in our startup days of our business, we don't have time for that. But then what happens is success ends up being our enemy. We end up reaching to the point to where our business drives us. I can remember my own life, starting a business and I already sold three businesses for profit. I'm starting my three companies now. I'd come to this world differently after trial and error within my first three companies. I had great time starting those companies, but I've quickly realized that hey, these things are going to run my life. I don't want to be that 60-year-old who's trying to do XYZ and would not be able to join my grandbabies. I mean, I had certain aspirations that I wanted.

So whenever I started this company, success became the enemy like it does to so many. We began working with anybody who can fog a mirror, and before you knew it, I'm missing something. I'm missing the opportunity, in my case, to be a dad, to be a husband. I end up being a great business person who was very acknowledged in the community and being one of the top 100 out of 350,000 advisors nationally, ended up being in The Wall Street Journal, writing books, receiving national accolades, but yet I was missing what really came important to me. And I think, to your question, every person is going to have to have that moment. And that moment comes differently. Maybe it's through a health circumstance, maybe it's through a COVID 2020 year like we had last year. I've seen so many people now starting to assess maybe it's through success, maybe it's through failure. But each one of us are going to come to a point where we pause. There's a old Hebrew word, *selah*, just means to pause for a moment and say, where are we headed? Now, it's going to come at different times in our lives. But until you come to that moment, that life gets you, that success arrest you, until you come to that point, because oftentimes we're too hard-headed as business owners to make change. But when that point comes, we begin then start to self-assess and start to look, and we start asking questions, and we start looking and saying, how are we going to reach our goals? I don't think there's a solution that can move us to that question or the answer any quicker. I think it's something that journey that we're going to have to walk through individually, and let success arrest us. And then we have to decide do we like the prison cell that we're in, and how are we going to deal with it.

[16:12] Shye: Can you tell us about that moment and how it arrived for you?

[16:16] Justin: It's arrived multiple times in my life. I'll give you one of my most recent ones. This year, my wife and I had COVID. It wasn't a big deal for her, she had lost her taste. Me, it knocked me down for about three weeks, four weeks, with about 105 degree temperature that entire time. I felt like my eyeballs were burning out of my head. I'm young and healthy, I consider myself. I mean, I'm very athletic. I've never been sick a day in my life. But I

recovered very fast. My beautiful wife ended up having some major issues. And we found ourselves after eight weeks in the hospital, looking at a doctor, him saying you can stay on some high risk medicine and you may live to be 60, 20 years for my wife, or we can have surgery and there's a high risk that you won't make it out of surgery. So here I am, a business owner running three businesses. I found myself not in the company, not physically running the company. Thank God I'd implemented the strategies I had in my book. So my company grew, while I was literally out for almost a whole quarter of this year.

But just this year, I came to one of those same deciding moments in my life saying, is what I'm doing worth, is what I'm doing more important than being by my wife's side going forward more than I had been in the past? And candidly, if I answer that question truthfully, the answer is maybe, because I see a path that I have worked so long so hard, I'm going through a potential transition right now that's going to financially set our family up. So it's like, well, maybe so now I'm in a position after 20 years of grinding to where I'm only having to work about four hours a month and I could probably get away completely. So, that's something that I personally have dealt with this year. But that question in the life of a business owner comes up consistently, my challenge to the listeners and all of us is whenever it comes, whenever life arrest us and gives us that moment to where we're pausing and saying why, take a step back, don't go back into the self-rationalization. Take a step back and say, where do you want to be in five years? My mom used to make this statement and I'll be quiet. My mom used to make a statement, she'll say, "Son, where you'll be five years from now is determined by the books you read today and the people you associate with today." That's a play on words from Og Mandino's famous statement. But nonetheless, whenever this thing arrest you in life, the success that you're experiencing in business, or the failure, the challenge, take a moment back, take a selah, that old Hebrew word, take a moment, pause and ask yourself the question, where specifically do you want to be and why? Why does it matter to you to reach that goal? Because once you identify it, nothing is going to stop you from reaching that goal, whatever the goal may be.

[18:53] Shye: Yeah, that's so powerful. I think about all the expertise that you've developed as a certified financial planner, value growth advisor, exit planning advisor, and having built these businesses bumped up into these challenges like all of us do, but learning and creating systems to move past this. And now you're helping others do that. The other thing that I kind of feel creeping up in my mind is what happens when you run into folks that just simply have built a business that is really in a bad market or just is really in a place where we can polish this thing up, we can put as much makeup on this baby as we want, but it's not going to meet the goals that you want. If you can help people break that down and you can help them visualize where they want to be, but this vehicle is just not going to take them there even under the best circumstances. Like I said, maybe because of the environment, the marketplace. How do you help people manage that reality?

[19:49] Justin: That's a very difficult question to answer in a very short time period, but I understand the thesis of the question. Every person is going to be different. Age, energy, time, skill set, everybody's going to have a different opportunity. The way I look at life is, you can look at life through an opportunistic mindset. I look at it through abundance. That as an

entrepreneur, if the business that we're in right now is not going to meet our needs, then we've learned so much, so much information, so much knowledge that what we can often do is pivot and change, and go into a different environment, different market, different location, different business altogether, and apply the same business principles that led us into that particular, I'm going to call, failure, that now we can expedite the movement going forward.

I'll use an example, my own life. My degree is actually horticulture. I know how to grow plants. I had a landscape company that I found myself one time at age 21 that I said I'm babysitting a bunch of 50-year-olds who would rather have a case of beer than do anything else aspirationally in life. I did not want to be that individual at age 50. Didn't want to do that. So now fast forward two years, I knew what had led to a very successful landscaping company. But I also knew what had led to some challenges that I didn't like. So I pivoted, I came into a different market, different location, different industry altogether. And within a very short period of time, in the national news, the national leader area, in a very short period of time, was able to benefit not only my family financially but a team, employees, customers, vendors being able to add so much value. So I think every person is going to be different, but the key is that even in a quote, "failed business" or in a business that's not going to meet our expectations, one thing that no one can ever steal from us is our experience and our knowledge. And we can gain wisdom – remember, wisdom is knowledge applied. We can gain wisdom once we turn around and apply that knowledge that we've experienced or that we've learned from that failure into our next successful venture.

[21:44] Craig: Well, Justin, you share some amazing insight, and we really appreciate the depth that you've taken us into some of these really challenging areas. I really want to thank you for joining us on the show today.

[21:56] Justin: Thanks for having me, Craig. I appreciate it.

[21:58] Craig: It's been great. And I also want to ask, is there anything else you'd like to leave with our audience today?

[22:03] Justin: You know, everything we've been speaking about, we address in detail for business owners. I believe in the principle of giving everything away. And the more we give away, the more that we're able to help others and we win. So, I challenge the listeners to visit the Financially Simple blog. We have over thousands of articles on there. In fact, my challenge to you is if you find a subject that we haven't covered, let us know and we'll cover it for you as a business owner. So the blog is powerful. We have our own podcast, has over 400 episodes, where we teach you how to dynamically change and impact the value of your company. Now, I've written about those in my newest book *Your Baby's Ugly*, and you can pick that up on Amazon or downloadable on Audible. So I challenge you to listen to those, and if you want to know more information, the sites, the podcast or the books can help you.

[22:46] Craig: Our guest today has been Justin Goodbread, author of the new book *Your Baby's Ugly: Maximize the Value of Your Business or You'll Have Nothing to Sell*. You can learn more about Justin as well as find links to his books and resources on our website at [businessownersradio.com](http://businessownersradio.com).

*Thank you for joining us on Business Owners Radio. We hope you enjoyed today's show. As always, you can read more about each episode along with links and offers in the show notes on our website, [businessownersradio.com](http://businessownersradio.com).*

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