Hello, this is Wayne Rivers at The Family Business Institute. Thanks for tuning in. As always, we would love the benefit of your comments below, and also click on our social media icons. Thank you.

This week, I want to talk about a concept called transferable value. Now, what about transferable value is important to you? I've been in lots of businesses over my 30 years, 31 years now. We're talking thousands and thousands of businesses that I've spoken with, actually been to in person, et cetera, et cetera. Some of these businesses are magnificent. They're just wonderful creations that have happy employees and happy customers, and everyone's thrilled to be there. But most, let me be real blunt with you here, most, I would say 70, 85%, maybe somewhere in that range, most of the people that say they have businesses, don't. They have a company that they own and operate, but what they really have is jobs.

How do I make that distinction? Well, a business is something that can be perpetual. It can go on whether you show up for work or not. If suddenly you don't show up for work and your business gets into a spiral of decline, then you probably don't really have a business. You have a job that's very much dependent on you. This whole idea of transferable value comes from a blog from a man named Jim Carlyle, and he defines it as this. Let me make sure I get this right. "It's what a business is worth to someone else without the original owner," without the owner of the business. Transferable value is not determined by how well you run your business. It's determined by how well your business runs without you. Make sense? Hope so.

All right, so now what seven criteria do you have to have, to have a business with genuine transferable value? Well, let me give you a story. We had a consultant here once upon a time. His name is Julian. He was a gifted, terrific consultant. But prior to coming here, he had left a couple of other jobs and just a great business mind. But his father-in-law had sold his company for a really nice sum of money. He said, "Okay, I don't want to completely be out of the small-business business. So, Julian with all your education and training and energy, you go out in Virginia and the Carolinas, and you find another business or two that we can run, own, and operate. I'll buy it, you run it. We'll own it and operate it over a period of time, and that'll be a great investment for our family portfolio."

Well, Julian did. He went out, I think the timeline was 18 months his father-in-law gave him, paid his salary and all those things. Julian went around and he found, I think, 21 or 22 small businesses that they considered making an offer on. Now, how many offers did they actually make? Zero. Not a single one. Julian said, "Well now, why do you think that is?" I said, "Because every single one of those businesses was dependent on the owner." That was it. Bingo! That was it. It was as simple as that. The businesses could not stand on their own without the original owner-operator.

All right, so now what seven criteria do you need? This is a self-test here. You have customers that are loyal to the company, not just to the owner or the head salesperson. You've got operating systems, standard operating procedures that a new employee could be trained on without having to learn it from this person or that person over there. You've got a unique niche in business, and it's resistant to commoditization. So, you're delivering some service in a unique way or building some product in a unique way that can't be easily copied and ripped off by other people.

The fourth thing, you've got recurring revenue. That is so key. I'm so happy about the day when we found a way to turn FBI into a recurring revenue business. It just made life so much simpler for all of us here. It allowed us to do things for our customers we never could do before, too.

The fifth thing, you've got to have a growth plan, a proven growth plan that's produced results and will continue to produce results in the future. Sixth, loyal, motivated employees that will stay with the company and the new owner after the previous owner departs. Finally, and this is most important, you've got to have a super-talented management team.

Now, if you think of those last two items, employees who are loyal and will stay, and a super-talented management team, people. It comes down to people. If you've got great people, nobody can hold you back. If you don't have great people, you're holding yourself back, and you're limiting your future opportunities.

Now, here's the test. Here's the self-test piece of it. Take a four-week vacation. Now, if you say right away, "Wayne, there's no way I can take a four-week vacation," that tells you something about the lack of transferable value in your business. On the other hand, if you can take a four-week vacation, if you can white knuckle it and be away from your company for that long, and you come back and everything is rolling right along, and everything is rosy, terrific. Wonderful. Congratulations, you have built a business with transferable value.

I'd like to hear your comments and thoughts on the subject. This is Wayne Rivers at The Family Business Institute.