

Hi, this is Wayne Rivers at FBI, where *We Build Better Contractors*.

This week I want to talk about a foolproof method for increasing the value of your business. We got a call recently about how to value a construction company. Well, gosh, my first answer is it depends. Is it a heavy civil, is it a GC, is it a self-performing GC, or a CM? I think, if you talk to 10 different valuation people, they would give you 10 different answers on how to value a construction company and we're not really in that business.

Now, if the call had been, how do you increase the value of a construction company? That question we can answer. We have an answer for that.

I had a revelation about 20 years ago at, I was doing a speech at a group, at a college and had this revelation and eventually some guy wrote a book about it. Some guy had the revelation independent of me, wrote a book about it and did a big old national speaking tour a few years ago. I was thinking, "Gosh, I should have done that 20 years ago," but it didn't. What's the best way to increase the value of your firm? It's simple. Build it as if you're going to sell it to outsiders. Engineer your company as if you're going to sell it to outsiders. Now, what about this is important to you? Well, we all are trying to increase the value of our companies. We're trying to be able to serve more people at a higher level and attract more talent and do all those things that growing, thriving companies do.

Three things you have to have in place. First, of course, is people. Do you have topflight people overseeing all of your functions? Think about your friends that run auto dealerships or have fast food franchises. The auto dealer has a new car manager, a used car manager, a service manager, a parts manager, a financial manager. It somebody that's seasoned, overlooking every aspect. Do the same thing. Break apart the aspects of your construction company.

Do you have somebody overseeing safety, finances, HR, project management, estimating, et cetera? Do you have topflight people overlooking those things? Or is one individual being the all-knowing person looking at everything? Do you have legacy costs? Do you have people in the organization that aren't adding the value that maybe they once did? Are there better, higher suited, better suited, higher roles for them in the organization where they may need to be replaced? Do you invest in your people? Do you show them that you care by investing in their careers and their industry advancement? Do you send your folks to Boot Camp, for example? This year we have remaining Dallas, Denver, Toronto, and Raleigh. If you're investing in Boot Camp you're demonstrating to your people that you care about their professional growth.

Second piece is profits. Are you profitable across all of your service deliverables? Do you benchmark? I remember talking to contractors ages ago and they said, "We're the most profitable contractor in our city, or our county, or our region." How do you know? How in the world would you know that if you're not doing benchmarking? Back then nobody was doing benchmarking. Do you benchmark across all of the components of your company? Other things do you have personal expenses in the company that probably shouldn't be there? The extra truck, the extra car, maybe the airplane, something like that. Profits. Clearly, anybody who's viewing a company for purchase wants to see predictable profits over time.

Finally, it's processes or all your processes, topflight. Do you processes allow for pain-free, frictionless experiences from your customers and your trade partners? Again, how do you know. In today's world where surveys are easy to do, you can do qualitative and quantitative surveys so easily now. Why wouldn't you do regular customer service quality checks with your trade partners and your customers?

View the lens of your company view... View your company through the lens of a prospective outside buyer. Okay? What does an outside buyer want when they're thinking about acquiring a company? I'll tell you what they don't want. They don't want a job. They already have a job, so they don't want an 80-hour week thankless job. What they want to see is a company with customers and trade partners that are loyal to the company not just one individual. They want to see that the company's differentiated from other contractors through clever marketing or deliverables or unique capabilities and skill sets. They want to see that there's a great leadership and management team in place. They can run the company

effectively whether the senior leader shows up for work or not. That is vital. They want to see predictable revenue, predictable expenses.

Finally, they want to see that you have plans in place. You have a business plan, you have an HR plan, you have a safety plan, you have a succession plan, you have a capital spending plan. You've even got what we call a drop-dead plan in case the worst happens and lightning strikes. If you have all those things in place, then you're probably in a pretty good place through the lens of an outside buyer. Do you have senior leadership oversight? Do you have a board? Or maybe you're in a peer group or something like that, but is there some way to hold senior leadership accountable?

Now, think about this. What if you do that? You have all... You go through all these steps, you hire great people, you have great processes, you're profitable. You've got all these plans, succession plans, and business plans, and HR plans in place. What if you have no intention of selling your company outside your family? What if you have a terrific daughter and son that are going to run your company and they're so capable you absolutely in your heart want them to have it? There's no downside. There's no downside to what I'm telling you here. If your daughter and son takeover of a company that has great people, great processes, great profits that they have these plans in place, business plans, HR plans, capital plans, succession plans, et cetera. If you hand over a company with all those things, what's the downside to them? You've handed them a well-oiled machine. You've not handed them something that's sputtering, and smoking, and broken, and they're thinking, "Oh my gosh. Gee, thanks. You handed me a company that I have to re-engineer, because it doesn't work very well."

No, build your company as if you're going to sell to outsiders. There is no downside. You'll enjoy it more. Whoever takes over the company from you will enjoy it more and you'll be a lot more valuable along the way. You'll professionalize your construction company.

Okay, what do you think? I'd like to hear some thoughts from the audience. You might not agree with me. Put your comments below and let's swap some ideas. This is Wayne Rivers at FBI where *We Build Better Contractors*.