Building a Business to Sell Versus Building for Cashflow

Some entrepreneurs aim to make money now. Others are building a business to sell. James Schramko and Charley Valher explore the difference.

James Schramko and Charley Valher

James: James Schramko here. Welcome back to my podcast. This is episode 939. And we'll be talking about the difference between building a business to sell versus building a business for cashflow. I've brought along my good friend, Charley Valher, for that discussion. Hello, Charley.

Charley: Hey, James, thanks for having me on again.

Are you a full stack business owner?

James: Always my pleasure. You're a man of many talents. I noticed you're making some great progress there with your new enterprise, fullstackbusinessowner.com. So, congratulations.

Charley: Thank you. It's a whole heap of fun. And I love it when a cord hits. Like, sometimes as content creators, we can make all these things, and you don't really hear from people. But in this case, all the people that have been tuning into the podcast, like I've been getting a ton of messages from people reaching out. So thank you, because I know many have come from this audience as well.

James: I know I asked you this privately, but I'm just curious if you could answer this publicly, what is Full Stack Business Owner? What does full stack actually mean?

Charley: Yeah, so what I've seen and observed, and I suspect, you've probably seen something similar, James, is I find a lot of people that like, they get good at a little component or a few skills in business, but they might be missing some of the major ones. So maybe they're really good at marketing and sales, but then when it comes to doing their accounts, or hiring their teams, they really struggle.

And because of that, they kind of hit this glass ceiling where they never hit the potential of what they could do. And the consequence of that often means they end up kind of trapped in their business, running around just putting out fires, and they never get to those payoffs that a lot of business owners really want, which is like, you know, building wealth outside their business or having a lifestyle with their business that they want.

So one of the things we really look towards in Full Stack Business Owner is the idea of building out that full stack of skills, so you can be the jack of all trades, but winning at them, instead of like, what is it, it's master of none is the one I want to say here. It's like the idea that if you do master many more skills in your business, you can accomplish much more and achieve things on the back of it.

James: So it's like a complete business owner, like a fully rounded out, well-skilled business owner.

Charley: Completely.

James: Love it. Okay. Now that was important to sort of set up this discussion, because as a consequence of you putting some time and energy into there, you've really gone deep into some of these financial-type topics that small business owners really need to be on top of.

Something all business owners should consider early

And this was a great topic, you floated a couple of ideas for this episode, and I love this topic, because it's something I encounter a lot as a business coach. It's certainly something I want to know right at the start, whether we're building a business to sell, or building a business for cashflow. So let's just talk about why that is so important to make this decision early.

Charley: Because they have such heavy consequences if you try and swap down the line.

James: Yeah, so I guess if you're not quite sure what you're doing. I mean, this is really, if you're listening to this, and you don't currently know if you're building a business to sell or you're building it for cashflow, this will be a fantastic, insightful episode.

Let's talk about what some of the key differences would be between a business that you're building to sell versus building for cashflow.

Charley: Yeah, I think the main one is, if you're building a business to sell, it's from a very different intent than building one for cashflow. I mean, even in the naming of these, you can see they're different goals. But let's say we'll start with the building a business to sell, is if you know you're building a business to sell, you might be happy to take less profits and reinvest in the growth of your company, knowing you'll get a bigger multiple or a bigger exit when the time comes.

But if you're building a business for cashflow, well, then you may be less likely to take that, because you want to receive cash every quarter or every month, or whatever is appropriate in your business. And I think if you really think about that, like really just spend a minute on it and go, Okay, well, if I'm building this for sale, maybe I'll hire that extra employee to get that growth up, rather than taking that cash out as an example.

So the distinctions between the two are very, very interesting. The other one that most notably and you kind of mentioned this one before to me is that if you're building a business to sell, or really, you're building it for desirability for someone to buy it. So there's a whole bunch of factors that go into that as well. Like maybe you're building the type of company where there's a competitor you want to acquire it.

So your whole goal becomes, well, how do I become such a pain for this competitor, they're kind of forced to buy me or they'd want to buy me? Versus when you're doing it for cashflow, well, that type of thinking doesn't really need to exist.

James: Yeah, well, it's certainly, it's great if you can build a business that a bigger company wish they had and they just want to buy, like when Facebook buys Instagram, or Microsoft buys LinkedIn, or when LinkedIn bought Lynda. You basically, kind of like the whole teaching a big company how to suck eggs thing, create that little thing that they really want or wish they had. And it's cheaper for them to just acquire it than to go out and try and compete with you.

If you know who's going to buy your company when you start it, it will definitely change the way you make decisions. So the reason I want to know it as a business coach very early on, it will change the advice I give someone whether they should do it. And one of the most obvious ones that comes up is, what do we call the thing? So it's rare that you'll see a business that you're going to sell named in a personal brand, and this one comes up a lot.

What James noticed making the switch to personal

But as someone who's switched from a company brand to a personal brand, I can tell you, there's some definite differences between the personal brand and the business brand. And really, every decision you make has all these consequences.

One of the big things that we noticed when we brought it back to a personal brand, it was kind of me saying, You know what, I don't think I could sell this business the way it is. I would have to make different decisions. And I'd have to take time to reengineer this business to be in a saleable position. And it's not worth it, versus me spending my time and energy growing other people's saleable businesses and getting paid that way.

So there's a few points there. One is, just because you've made a choice here, doesn't mean that you're excluded from participating in the upside, it's just that you're going to have to do it with multiple entities. And the other one is that, for every decision you make, it's going to change things down the track.

So one of the simple things that we noticed was, when we brought it back to one brand, we now had just one set of social accounts to manage. We had one prime product to focus on. So everything became simpler. For the team, it was kind of like this, Oh, relax. It's also, you get a lot more traction faster under a personal brand, and you have a defensible position in the market, because there's only one you.

So there's only one you, it's easy to be unique. And what we noticed is this podcast tripled, right? And then it maintained at least a double over previous, and it started ranking everywhere, when we switched to a personal brand. So I feel it was much harder and slower to get traction as a business than as a personal brand is one thing that I noticed. So that might factor into your decision-making process.

The difficulties of selling a personal brand business

Charley: Can I share a couple of stories here?

James: Please.

Charley: So I have a friend, I won't name them though just because I haven't asked them. But they had a personal brand business they sold. And it was actually quite a difficult process. And there were two things that were very interesting in that, is like, one, when he put the business up for sale, is that every offer he received got, what you call it, down round or reduced, just they put in an offer for less because of the attachment to his brand.

So they go, Look, businesses like this normally sell for here, which for anyone on the audio, my hand is high, and then got a reduction of like, you know, 20 percent because of that. But then the other side of it, which I thought was really fascinating, was that they golden-handcuffed him. So even once he sold the business, he had a 24-month term where he had to work in the business to help them de-risk it.

So he was trying to sell the business to get out, but then ended up actually becoming locked to it and then as an employee of it. And he went through that process, and it was successful overall. But in hindsight, he probably said, Well, I wouldn't have done it, I should have just gone the personal brand route in my case, because of all the effort I put into getting it saleable, just ended up not being worth it.

James: Yeah, so I realized that. I was there on the SuperFastBusiness train, I'd been running it for a long time. And I realized that if one of the prime filters for selling a business is that it works without you, then it wasn't satisfying that at the time, and I felt like I could have migrated it, but it would have taken a while.

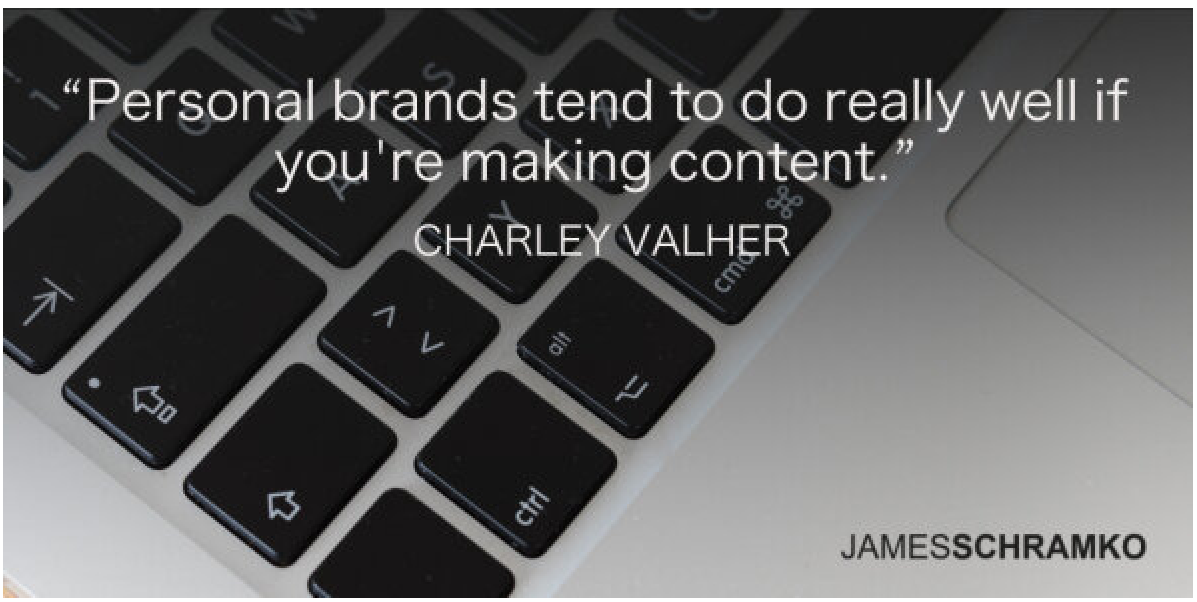
Now the other business model that I'm particularly fond of is my revenue share partnerships, where I'm partnering with other businesses,and I help them grow their business. And quite a lot of them are actually built to sell - they're companies, they're business-branded, and I can grow those businesses and participate in a sale event.

So I can still get my cashflow from a personal brand. And I can also get a sale event from the business brand by having separate little pies, I suppose, separate little silos. So I think you can do both, but not with the same company, right? I was always building SuperFastBusiness with an idea that I might sell it, but in reality, I was really running it more like a cashflow business, a high cashflow business.

A classic one for coaching businesses, for example, if you want to sell the business, you're going to start hiring sub coaches, and you're going to start spending more on marketing that's not going to involve your personal podcast, etc. And I didn't want to do that.

Now on the flip side, I bet you there are personally branded businesses who do run a lot like a business that would sell. They reinvest and reinvest in their branding. And I'm sure you handle a few of those in your media company, Charley, where they keep reinvesting and still don't make huge margins, even though they're a personally branded company that might have cashflow. So they're just delaying the cashflow event to a bigger cashflow event when the business is a bigger size.

So I guess my point here is, it's not automatic that if you choose to have a business to sell versus a business for cashflow that you'll get the sale or that you'll get the cashflow, right? These things still take work.



How to do well with a personal brand

Charley: I wholeheartedly agree with that. One of the things you mentioned there, which I think is a little bit fascinating as well for people, is that personal brands tend to do really well if you're making content. Overall, when I was in the media stuff, and I'm even in that pool still a little bit with our own podcast and here, undoubtedly, people doing things connected to a personal brand for podcasting and YouTube channels do better. They really, really do.

I think that is a huge advantage. And maybe one of the reasons, if you are a creator and a content maker, you may consider going, Well, I'm going to go the more cashflow route than going, building a business to sell, because of that brand entanglement.

But there's so many clever ideas around that, like you mentioned, like you can use your brand to grow other businesses that you can sell. You can also take that cashflow you're making in a business and invest it in other assets. Or maybe you buy investment products or other things from that or buy other businesses, there's a whole bunch of stuff you could do.

But you've just got to think about it a little bit more creatively. I have rubbed up against this a few times. And I'm sure you've seen this far more than I. The one that concerns me is when someone spent like a long time building a personal brand. And then all of a sudden, they just want to sell it. Like they hadn't planned or thought out any other ideas or strategies for them to end up being well off along the way.

James: Yeah, that's like, it's huge, actually. Because I get to peek under the hood, I can tell you the recurring themes. One is, most people have never thought about whether they're building it to sell or whether they're building for cashflow. So that's one of the first questions in my diagnostic when I take on a student, because I need to know. I'm going to tell them completely different things depending on the goal. So knowing the objective is a great head start.

Certainly, I've seen a lot of personal brands or famous people who are not wealthy yet, because they haven't been reinvesting, they often don't know how to read a profit and loss chart, they haven't got good books or accounts, they don't have granular data on their marketing or conversions. It's just a sh*t show, basically.

So you would think these people are rich and wealthy, but they're actually not. Of course, not all of them. There's some of them who are just like, spectacularly doing great, but then there's some who aren't, right? So if you're going to have a cashflow business, and if you're going to build a personal brand that's probably very hard to sell, then I would, you know, actually, I'm not even going to give advice, I'll tell you what I do. You do whatever you want.

I take money from my business, because it's a very high profit margin business. And I put it into other asset classes and other investments. And my goal is that I could just turn off my business one day. I could just switch it off, I could basically fill out my service agreement. So let's say someone bought an annual membership yesterday, then I could say, Right, at the end of the year, we're done.

And if I didn't want to do that, I could say, Right, I'm just refunding you a year's worth of payment here. So of course, you've got to meet your dues. But let's just say hypothetically, I'm done. I don't want to do this anymore. I can just stop. And then I can live off the income from my investments. That's my exit strategy.

And in between there is my partnerships, which give a nice combination of a royalty for effort that I've done up front. That will still continue to pay for quite some time. I love your point about creativity.

What’s changed since James was building his company

I'm going to tell you also what changed, because I'm sure someone's listening and thinking, James, I've known you for ages, I've listened to your stuff, you used to be about build the brand to sell or build the company. I built on my company the whole time up until 2022. I never used my personal domain in a big way or my personal profile to sell, partly because I didn't know what I want to be when I grow up. And now I know I just want to be a professional amateur surfer.

Charley: Good to know. Really good to know.

James: And two is, I think there's been so much change in social media, it's impossible to ignore. There's so much upside leverage in having a personal brand. Even so much more now than three to five years ago. And absolutely more than 10 or 12 years ago, because some of these companies were just little babies, or they didn't even exist, right?

There was no TikTok back then. There was no Instagram back then. Facebook and Twitter were early days, YouTube was early days. Like, it's impossible to ignore that that's where it's at. If you want to embrace social media, and content marketing, and in particular, videos, and a big hat tip to you, Charley, for all of your influence there, you know, the very fact that this podcast is recorded in video, Charley.

So anyway, I think it's impossible to ignore. So I've leaned into it. And to my surprise and delight, my audience has massively expanded just from the change in the focus. So I accept that I'll probably never sell JamesSchramko.com. But I will certainly put that cashflow to good use in the meantime, and I'll continue to grow other businesses.

And just before I hand over the mic, because I'm sure you've got a few things you want to say, we often hear from my guests, Matt and Liz Raad, and we're talking about building out websites as digital investing and stuff. I want to emphasize, I still do that business model.

I have a website that I've been building for years and years and years that is growing and growing. It gets more traffic than my business website here. That is an asset that I can sell that does not have any involvement publicly from me. So I play both business models at the same time, but on different sites. Over to you, Charley.

There’s one or the other, but no right or wrong

Charley: It's interesting, right? The way I kind of think about it is, if you've got two opposed things, right, where I'm going to say like, for in the fitness world, it's like bodybuilding and marathon running. They're pretty opposed, like they're both health-related, but there's very, very different ingredients and recipes that go into being successful in those games.

I think it's almost the same here. I think if you're going to go into this intently as a marathon runner, and optimize your life to be a marathon runner, awesome, go for it, like you can do really well. And if you want to be a bodybuilder, like, you can win out of that as well. But there is no right or wrong here.

I think the mistake as a business owner is like, not choosing or trying to do both at the same time and expecting to be as good at both ends. Like, clearly the person who just focuses on marathon's going to smoke here, and clear the person who just focuses on bodybuilding, right? So if you're trying to, and I'm not saying you can't do both of these separately, but entangle them in the same business, trying to get that optimal result, I think would be very difficult, if not impossible, compared to the person who is focused there.

Can you build to sell AND have great cashflow?

James: So I wonder if you think you can build a business to sell that has great cashflow?

Charley: It's clearly being done. But I think, reflecting that I just think what you would do would be different. So like, in that example there, like, are there businesses that do sell that have great cashflow? Absolutely. But would they have as great cashflow, if that's all they focused on? Because I know for sure, and I'll share some of my own experience, like my first business, I actually sold.

When it came time to sell it, suddenly, I'm spending all this money on like, de-risking it, getting financial audits done. Like, there's all this other stuff that goes into preparing for a sale.

The second side of that was that any risks, like I had a risk in this business where we were very heavily dependent on Facebook ads. I had to spend a whole year de-risking it, so we could acquire clients on YouTube as well. So like, I wouldn't have done any of those things, or put focus on it, or spent the money on having the team that could deliver that if I wasn't selling it. So in that case there, even the good cashflow business could be stronger in cashflow if they weren't preparing for a sale.

And then to go even further than that, like you mentioned, the Instagram example before, it's like Instagram was really valuable to Facebook. And they made that very clear, it wasn't like there were any other people that would actually buy it or will be worth that. So they're all the different games that come into it.

Some realities of selling a business

I will mention a few more points on that, because I think sometimes people glorify the sale of a business, not really knowing what it entails. Like, I know you've gone through this potentially as well, James. Just when you prepare a business for sale, and then you actually go through the process with the seller, just the amount of meetings and back and forth that go into the questions they have, and rightly so, right?

If I was going to buy a business, I would be asking the questions too. But it does chew up a lot of your time, or it can potentially chew up a lot of your time, doing that. And then the thing that I kind of had anticipated where you just get a, you know, there's a day where you sell and it's like selling a house, you just get all your cash on the day. There's a settlement day, then we're done. Not at all.

Handover periods. I had payment terms, and I think it's called a leveraged buyout where it's like I got money each month over a duration of time until it was paid out, where it's like, it wasn't necessarily just a lump sum payday, in my case. I know people do get that as well. So when you've sold businesses in the past, James, like, what was your experience in that?

James: Yeah, I was a senior myself. Some people who try and buy used surfboards are more difficult than people who tried to buy my businesses. One of the businesses I sold was very smooth-sailing, it was a perfect business for the person buying it. They trusted me, I worked with him for a long time. The terms were easy to agree. We didn't get all nuclear lawyered up and everything, just a simple agreement network. Great. That was fine.

The other one was a little more complex and was a larger business. And going back to your point before, it was running at about a 50 percent profit margin at a substantial sum. It was doing seven figures a year in revenue. So, I believe, yes, I probably could have sold it for even more, had I reinvested some of that substantial profit margin back into accelerating it. But that was a kind of an unintentional sale.

I wasn't ready to sell it or looking to sell it. I'd had people offer to buy it. But I came to the point where, it was for a silly reason why I had to sell it in a way, but it was that one of my customers was buying so much of it that it started to become a big risk. So the only way to de-risk the business was to sell it to my biggest customer, because at some point, they would vertically integrate me and take their business away, which does two things.

I mean, I lose a great customer, and a good chunk of my revenue. And now, I've also got a competitor. So it was like, it's probably just easier to sell it, I worked out. So I agree with you on that point before. If you have great cashflow, and you have a business to sell, maybe time to look at, how could you grow it even bigger?

I found there was definitely some legal argy bargy, because there's this big decisions to make, who's doing the legal agreements? Often lawyers can get tangled up, especially if you're international and you're working off different laws. They were trying to use a different template for the purchase that didn't quite suit.

And where you can get bogged down is you speak to the buyer, and they speak to you. And then there's something you want to talk about. And then they speak to their lawyer, and then it comes back, and you have to speak to your lawyer and it comes back. And then the process can get slow and sticky, like really difficult to move.

So I was lucky that my lawyer agreed to speak to the other person's lawyer. And it's like, Thank God! If you can get a lawyer who can do that, it saves you a lot of time and money. And they sorted it all out. So that got done. And I also agree with you, with almost all businesses, you're not going to get paid all your money straight up front, because they're going to want to try and mitigate some risk.

Generally, it's as simple as this, the buyer usually wants you to take all the risk. And the seller usually wants the buyer to take all the risk. But you end up somewhere in the middle. And you'll end up with probably some money up front. And then some kind of either performance criteria or payment plan depending on how much competition there is out in the marketplace. And that's that. So it was awesome.

And one of the first things I remember when I sold the business was, I want to do this again. It's so good to get paid a stored value for an idea that you had, you know, at some point, it was just an idea. And then I put a domain up there. And then I started marketing, and I grew it into a seven-figure empire. And then get paid for that, was fantastic.

And that's why I build a business now that I will sell. I've always told my team, I've told anyone that will listen, this business is going to be sold one day. That is the pure intent of this thing, which is why I must be not the face of it. It has to work without me. I've learned my lesson. That means I can pull myself into the personal business without the expectation. I'm going to get paid in different ways.

Charley: Yeah, I mean, we have certainly highlighted some of the downsides of building a business to sell and even the selling process can be quite difficult.

James: Well, the upside is you get all that money upfront. A year's worth of profit in a single event is phenomenal.

The skills involved in selling a business

Charley: Did you feel like buying and selling in this equation here is like, it was a different skill set? Because that was my thing. I felt like when I went into this process, like I'd spent all these years learning how to run this business and do it well. And then there was all these new things I had to learn to go through the buying and selling process.

James: This is my approach, right? It's hard for me to answer that one because I'm totally not normal. For a start, I've spent more years buying and selling than most people listening to this podcast, okay? Because I started out when I was about 17 or 18, buying and selling timber with my grandfather as a broker.

The thing about most people who come into business who are good at selling is they haven't learned how to be good at buying. But I actually learned how to buy. And in the car industry, you're not selling a car unless you're buying the current car off somebody, generally. If they're trading in, you have to be a good buyer, as well as a good seller. And so that's a key experience that I had.

So I guess I came to the online world with a lot of experience around buying and selling, but not just the technical process, not just the subtle nuances and experience around it. But the emotional and mental preparation involved. I can spend millions of dollars without even flinching. Like, I can do that with an unemotional perspective, because I've worked with big numbers.

So I brought that to the table. I also, in the lead-up to selling my business, I had started interviewing people on my podcast about buying and selling businesses. So I basically created my own masterclass, by inviting some of the best people in the world. I spoke to business brokers, M&A experts, over the years, from John Warrillow, through to FE International. I had all these experts come onto my show, and I just grilled them and asked them everything there is to know about buying and selling; Michelle Seiler Tucker.

And then I read all their books. I read several books. This is my process - when I want to do something, I buy three or four books on Amazon and read them all in a weekend. That's it. So I've read Built to Sell, and I've Exit Rich, and I've read several other books that are on Amazon there. I've taken courses on it. Once you've ingested all, then you've covered most of the ground.

So I knew the basics. Like basically, you're going to have to show the potential to the buyer, you're going to have to prepare a book of sale, you have to only really show the offer to someone who's qualified, you want to maximize the value in it by pointing out where all the opportunities are that they can develop.

And also, this is really important, and it's particularly important to people longer on in their time cycle in business: you've spent years building this thing, but in a very short space, you're going to capture the value for it. Your ability to do that could have a huge impact on the rest of your life. Because once that business is sold, there's no more earning opportunity from that.

So the difference between 50,000, or 100,000, or 500,000, or a million could be significant in the compound effect of how you're going to invest that money down the track. So I think some people give away too much. It's not like selling a surfboard, right? If I sell a surfboard for $800, and someone wants to buy it for $700 and I lose 100 bucks, I can quickly recoup $100 later on, so it's not such a critical decision.

But if you're selling a business for a million dollars and someone's nibbling you down to $500,000, that's a huge amount to restore. That could take months or years for someone to recoup the difference.

So I think when you're buying big assets, it's really important to sharpen up on that. And then I don't think it's a coincidence that the top selling course, the top viewed course, I think, because it's all a bundle now on that masterclass, was the Chris Voss Negotiation series, which is really excellent, by the way.

Charley: Yeah, powerful skill set, really helps them build their full stack of skills.

James: You need a full stack if you're a business owner, that's for sure.

Are there business models more suited to selling?

Charley: Well, I like your method of getting the books as well, James, that's another way to develop your full stack of business owner skills. I'll put this one out because I have a view on it, but I'm very curious on yours as well, James, like, do you think there's certain business models or even types of businesses that are more suited to sell versus more suited for cashflow?

And the obvious one I'll point out is like, we've mentioned personal brands. Like, if you're a creator, if you're someone who wants to do a podcast or a YouTube channel, I think the likelihood of that being more of a cashflow business and you having to look for opportunities outside that to develop assets you can potentially sell is high.

Is there any that stand out to you where it's like, well, if you're in this path of going this way, you're more likely to want to sell one day?

James: Well, I think e-commerce is an easy one. Easy to sell e-commerce businesses, easy to sell content sites that are branded around a theme or whatever, not a person. Harder to sell agencies, especially if the expertise is tied to the owner operator. They'll generally get a much lower multiple.

Charley: I can say two multiple in agencies, it's tiny, you're almost better keeping it.

James: Well, it's almost one actually for a consultant. So, if it's just a consulting, if you're just like a one-man band with an assistant, you get a multiple of one, maybe, if the database is useful for someone else. Your content sites, some of them are like, four years or seven years, like depending on what, they can sell really well.

They're the sort of I'm building to sell, because I think content's in, you know, and if you're good with SEO, and images, and videos and stuff, it's great. And you can attend to it when you feel like it. It's not a demanding business compared to an agency. And you don't have stock or hassles like you do with e-commerce. So I'm pretty deliberate about where I choose to focus.

The personal service, like this high, you know, what I do is a consulting sort of thing and the coaching is pretty personally intensive, but it's super, super high-paying and really rewarding. So it's fun to do while I do it. But I can see that I'm not going to do it. It'd be almost impossible to sell without having to go through the complexity.

Now, this is just a little warning that I've got. It's usually agency owners I speak to, or freelancers who are experts. Generally, they're the ones who hate their business a lot. They very, very, very often say, I'm burnt out, I hate my business. It's too difficult. Customers are a pain. Hard managing a team.

And I'd say, Well, what are you going to do, you're going to fix it? Are you going to sell it, or are you going to close it? But a lot of these people, I don't think they can sell it easily. Unless they've got someone coming up through the ranks, or they could be absorbed by another company, which is going to involve golden handcuffs. They're either going to fix it, or just stop it.

Charley: Yeah, completely. One of the things I think about often is, growing up, my best friend, his dad got an insane offer for his business, and he was quite vocal about it, I think he was very excited to have received such a large offer. But he said no. Alright, so he got this ridiculously large offer. And he's like, No, I'm not doing it, this business is going to keep powering on.

And then a few years later, they went into a massive decline. They didn't necessarily spot there was innovations on the line and competitors coming into the space. So I think one of the things probably to consider in this line of thinking as well is that if you have the type of business, you might have every intent of selling 10 years from now, or five years from now or something like that. But the reality is like, you know, maybe like the yellow pages, or Kodak, things change.

Have you got your number?

James: Blockbuster. Such a good point. You know, another thing that I do with my coaching students when I do the diagnostic, I say, What's your number?

Charley: Do they all still say the same number?

James: Well, I'm talking about, what's the number they would accept for their business, and they're like, No, I'm not ready to sell right now. Like, it's good to know that number. Like for me, I always had my number with SuperFastBusiness. Like, if the UK British Telecom wanted to come along and buy it, because I'm a pain in the ass for their SEO for when they were trying to do SuperFastBusiness in the UK, I had my number. I was ready to go. They pay me that number, I'll just give them the domain. And away you go. It's all yours.

It's good to know your number if you've got a business that you're building to sell. And it's good to know it now. And so, the other way it can work is I'm like, Well, what would you have to do for that business to sell for that number? And you should just adjust that number as you go, like a will or whatever.

You know, like every time you have a kid or buy another property, you might want to update your will. Same as your business evolves and grows, you should know what that number's moving. And be prepared to accept that, one of the biggest outcomes I got from speaking to experts on the subject of selling their businesses, especially John Warrillow, was one of the biggest factors is, what are you going to do after you sell?

That's the biggest determinant, is if you're going to have seller's remorse or not. If you don't have something good to go to or no real driver, you probably just miss the business. That's one reason people keep their business.

Why you need to keep your head in the game

And another thing that I've observed is after the point people have burned out and hate their business and decide to get rid of it, it's very easy for them to just let it run into the ground and drive the value down. I want you to think about this, every single dollar of profit is probably really a multiple of that dollar. Every dollar could be worth $4 of sales price, or $8 of sale price of that profit. So if you're making $100,000 profit, that could be $400,000 or $800,000 difference in the sale price. So you definitely want to keep your head in the game, at least until you've made the sale. Until that money hits your account, it's not over.

My experience from the car industry or having sold my own businesses, I can tell you, most people, especially salespeople, they tend to count the sale or the money in the bank before it's actually there. And that's a big mistake, because amazingly frequently, things happen at the 11th hour, 11:30, 11:50pm, a deal breaker, the scuttle, you know, the massive chips off the table event that can then really scuttle you and upset you.

So you've got to be prepared for that. Push through until, as I say, till you see tail lights, but till the money's in the bank. I've seen cars get destroyed just before delivery. I had this guy, he was such a hostile, crazy guy, that the Australasian CEO asked me to deal with him. And so I did, and I helped him spec out a car that was about $480,000.

And we waited nine months for it, like having a baby. And it arrived. And I update him in the hallway, he goes, Fine. It got off the boat, it went to customs, it's in the customs yard. Tomorrow, it's coming to the dealership on the truck. And then that night it got stolen. Never to be seen again. I had to call this guy and tell him, Sorry, but it's been stolen. We don't know where it is. And yeah, so you just can't count it till it's finished.

Charley: I feel for that. That is brutal.

James: It's a difficult conversation to have, you know, like when you have to break that news, because people have certain expectations. And I managed to navigate that conversation quite well. I had a very good technique. I asked him if he's ever had any of his things stolen? And he said, Yes.

Because you know, he was a dealer of another brand or product. And I said, I know, it sucks. And how did you deal with it with your customers? And so I got this huge empathy thing happening. And I said, You know what, I've checked. And the big boss had ordered a very similar spec that had two extra features that is arriving in a week from now. And I've convinced him that he needs to give that car to you. And so if you want it, it's yours. And he goes, I'll take it.

So I managed to get out of it, luckily, and still make the sale. But it was a difficult one, but you can't count it till it's done, money's in the account. So don't give up. If you're sick of your business, make a plan as early as possible. That's really probably one of the huge takeaways from this episode, I think. Decide today, are you going to sell it?

If you're going to sell it, how much are you going to sell it for, and who's going to buy it? If you know that today, you're set up for success. If you're not going to sell it, great. Then take your cashflow and do something great with it. And tune into Charley's show, fullstackbusinessowner.com. You've also got a more wealth-oriented one, haven't you, Charley?

Charley: Well, it's not quite out yet, but I'll share it here. Hope it will be out soon.

James: Yeah, I'm salivating for this one.

Charley: Yeah. So we've got Full Stack Property Investor. So I'm quite a fan of the property market and something I've been doing a lot in. So we've got a new podcast launching under the Full Stack brand. It's just specific on property and how to invest in that.

James: I love it. I know that's your passion lately, and I think it's great. Isn't it great when you're not just hunting down the next customer, the lead? So sick of hearing about traffic and conversions, like there's so much beyond that. And that's what is exciting.

I think, for this episode, this is an evergreen topic. It's something that really has to come up if you're going to go into business. Make that decision early. If you need help around that, if you don't know whether you want to sell or not, then reach out to Charley or myself, ask us a few questions. I'm sure we'll be able to help you decide on what makes sense there.

Charley: Yeah, absolutely. Fun episode, James, really fun episode. Hopefully, the listeners enjoyed it as much as we enjoyed making it.

James: Yeah, I'd like to have you back, too. You had a couple of other interesting topics that I think we should discuss. So we'll get on to those in a future episode.

Charley: Awesome. Let's do it.

James: There you go. This one is episode number 939. We'll put it up at JamesSchramko.com. And we'll also put a show digest. So we'll just put the essential bullet points from this show up there if you want to grab the PDF. And thank you for tuning in.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