LIQUIDITY EVENT LESSONS WITH LATTICE WEALTH MANAGEMENT

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[00:00:01.860] - Speaker 2

Adam Coffee, thanks so much for coming on the podcast. Last time you were on, you had probably the best 30 seconds, This is who I am. But just for people that haven't heard it, can you give us a 30 second, This is who I am again? Because it was so good.

[00:00:15.890] - Speaker 1

I can't imagine there's anybody out there who didn't listen to the first podcast we did. But hey, in case you're that person, so four things about me. I'm rocking my Army sweatshirt here right now. So veteran US Army, who are all my my current friends out there. Military taught me something about discipline, teamwork, leadership. Engineering, I'm an engineer. Engineering in a pilot. Pilots don't take off unless they know where they're going. Engineers, meticulous planner. So all of that stuff built on top of the servant leader I got out of the military. Then spent 10 years at GE during the Jack Welch, the Camelot era. World's largest company is growing so fast as doubling in size every 2.8 years. That informed my thinking around 30% growth for any company is my minimal acceptable annual compound annual growth rate. That was the GE days. Ge taught me how to run a company. I spent 21 years building three national companies for nine private equity sponsors, bought 58 companies, have billions in successful exits as a CEO, got bored, rotated out of the CEO seat, decided I wanted to impact multiple companies at a time rather than just build one.

[00:01:28.270] - Speaker 1

I started a consulting business. I now work with dozens of PE firms. I think at last count, it was 52 entrepreneurs who are building companies, eventually going to be selling these, most likely to a private equity buyer. That's the minute and a half, 30 second version of me.

[00:01:46.810] - Speaker 2

Yeah, I think people could take notes on that one again. It was really good. Nice and concise. I love it.

[00:01:52.970] - Speaker 1

Good to be here, Mike and Ryan. Good to be back with all your listeners.

[00:01:58.070] - Speaker 2

Wonderful.

[00:01:58.900] - Speaker 3

Adam, when When you and I really spoke after I'd read your first book, your first book, I asked you about how you wrote it, and you said, I wanted to write it a length that someone could hop on an airplane in New York and have it read by the time they landed in LA. I actually hopped on a plane at LaGuardia, and I had the new book read by the time I hit Denver. So it fits that profile. You fit it exactly like you did the first book, which was great. I've used the first book with clients on multiple occasions. But to the new book, one of the things that you just alluded to, you referenced, literally, I'll tell you the page number, page 124, that you discussed your private equity consulting work. Give me the profile of what a good consultant, consulting student is for you. Who is out there that should be talking to you about learning how to do private equity stuff?

[00:03:08.240] - Speaker 1

Well, so first of all, you're either a private equity firm, and so you're a bunch of financial weanies. Now, I mean that lovingly. You're a bunch of financial experts, but you need help from an old, crusty operator to try to help determine whether or not this is a good investment. What am I missing? I'm looking at numbers. What can you see by meeting, talking to the leadership team, looking at the same book I'm looking at? What are my risks? What are the potential pitfalls that I need to uncover? I work with PE to help them determine what a good investment looks like, typically in a services type business. When I'm working with entrepreneurs, it's, Hey, eventually you're going to be selling to what most likely is a private equity buyer. You want to build your company to maximize its potential in advance of that exit. Remember, I help PE identify risk. I help entrepreneurs eliminate risk. When PE buyers are looking at them, they get excited and they say, That's a PE portfolio company that I need to own and I want it in my portfolio and I'm going to pay up to get it.

[00:04:16.300] - Speaker 1

I help one side of the table identify risk. I help the other side of the table eliminate risk. I tell people, Look, even if you don't sell to private equity, what you're going to get after you're done working with me is a better company that's growing faster and producing more capital, ability to invest in itself with a great culture to take care of your employees. That's the profile.

[00:04:38.960] - Speaker 2

More on the profile's idea. One of the concepts you talked about in the book was being a first chair player versus being a conductor. I'm just curious about, is there a mindset shift that needs to happen in order to go from one to the other?

[00:04:59.120] - Speaker 1

It's It's interesting you mentioned that. First of all, Mike, I got to just congratulate you because you're a fast reader because Empire Builder is probably 8,000 words longer than the private equity playbook was. If you knocked that out, LaGuardia to Denver, you didn't even get across the country, brother. You were reading fast. Congratulations on that. Going back to your question, it's so difficult today's world to be successful as an entrepreneur. When you're starting out, just use our stats here in the United States, 33 3 million small businesses in the US today. They represent 99.9% of all companies in the country, and they employ 50% of the workers in the country. Yet only 7% of those businesses ever hit a million dollars in revenue. 93% of the people that start this adventure of entrepreneurship never even get to a million. Only 4% of the people that get to a million get to 10 million. And so success is difficult. One of the things that makes those people, those rare exceptions that get to a million, get to 10 million, successful is the fact that they're anal retentive control freaks. As they're starting something, the magic that got them out of the gates, they controlled every facet of the business in order to see it go through those early stages of growth to hit those milestones.

[00:06:26.060] - Speaker 1

As a result of that, it's just ingrained in most entrepreneurs' in my psyche that I got to control everything. I got to be a control freak because that's what brought me here. That's what got me that initial success. I found in the 58 companies that I bought, there were a few outliers. One was like $125 million, but most of them were around $20, $30 million in revenue in size. All those entrepreneurs, very successful people, they beat the odds, but eventually they hit a glass ceiling on growth. They top out around $20, $30 million because they are managing the minutia and they are control freaks, which made them successful. They run out of bandwidth and they don't have an ability to grow further. I tell people, boy, the magic entrepreneur that can learn how to shift gears can go from 30 million to 100 or better, and then they're off and running on their way to a billion. The basic difference, I'm not even a classical musical guy. I'll go see Andrea Bocelli once in a while with my wife, but it's like, I'm not a big concert pianist guy or classical music guy, but the orchestra is a perfect example.

[00:07:37.040] - Speaker 1

In each section of an orchestra, you've got the chairs, you've got the players. Well, the first chair player in every section is the best player of that type of instrument, that section of the orchestra. When you're the entrepreneur and a control freak, you're the first chair player in every part of your company. You're making sure that everything is happening according to your plan. You're the control freak. If you want to bust through that $30 million ceiling and head off to $100 million plus, then you need to learn how to shift entrepreneurial gears, let go, start managing process instead of minutia, hire good people, surround yourself with good people, inspire them, articulate the vision, but then get out of the way, hold them accountable. You got to learn how to be the conductor of an orchestra. The entrepreneur that can make that shift at about 20, 30 million, they're going to be the special people that actually create those unicorn exits down the road.

[00:08:34.410] - Speaker 3

Makes perfect sense. That's hard to do because I run into that myself a lot. Shifting to a different subject that I bump into all the time, Adam. You referenced as you go through the due diligence process in terms of selling one's company, bringing in a collection of experts in accounting, finance, law, and the life. I guess my question is, I've seen people fail at this. Can you give us some compare and contrast on those who have done this well and those who have done this poorly and have failed at it?

[00:09:17.620] - Speaker 1

Yeah, this is one of the biggest problems. I wrote an article for Forbes about it. I call it the arrogance of success, the accidental arrogance of success. Hey, let's be honest, That person that built that business, they beat the odds. They were one of only 7% that beat a million. They may have been one of only the 4% of those that beat the 10 million. Their success is rare. It should be celebrated. But unfortunately, I see it happen too often where that entrepreneur who was successful in their business then somehow thinks that their success building that business translates to, I'm now an expert in everything. I don't need. I can use my My lawyer I went to high school with, I played golf with on Saturdays, and he helps me with slip and falls. He helped me organize my LLC and did my trust and my third divorce. I mean, whatever it is, it's like we have this little bit of an arrogance of success that we think we've arrived. We don't need help. I tell people, Boy, when you're selling your business, the other side of the table has got the world's most sophisticated investors on the planet, and they know what they're doing.

[00:10:31.570] - Speaker 1

I'll use some examples. In a purchase agreement, one business attorney may drop five word changes into an indemnification clause or some part of that purchase agreement on purpose. I'm going to make it an egregious one-side agreement. I'm just going to throw it across. What I'm expecting is the attorney on the other side to say, not on my watch, buddy, and mark these five things off. I'm no rookie. I know what the hell I'm doing. When that thing comes back and those five words aren't touched and their focus is in the wrong areas, well, then that attorney knows, Hey, look, I got a novice on the other side, and I'm going to take... It's like, Hey, we both have counsel, and I'm a good person. I start always with, let's start with an agreement that was fully negotiated with someone else. I'll go to my shelf and I'll say, This deal looks like that deal. Let's pull this fully negotiated deal off because I want to get to a closing table, and I don't want to start here. I want to start here so that I can limit the amount of time that the cab meter is running on the law firms.

[00:11:40.120] - Speaker 1

Let's get to fair, reasonable, and customary. But not every buyer is like me, and there There are people out there who can detect in a matter of minutes that they're dealing with a novice, they're dealing with an unsophisticated advisory team, and they'll take advantage of that team, which is their right. Everybody's got counsel. They pass the bar. There's no reason why I I can't write a one-sided contract for my client. That's one example from a law perspective, but I see this happen, too. So entrepreneur wakes up one day, they say, I'm 67, time to go. Time to sell the business. And Let's do it. My phone rang. I woke up and said, I'm going to sell at my phone rang in some random private equity weaning or some buy-side advisors on the other side. What's the chances that I picked up the phone and that's the right buyer who's going to maximize my potential and give me the deal I want that gets me strategically where I want to be in my life? The answer is probably zero, probably zero %. I see this happen all the time. Then that entrepreneur, he lives in California, and he says, You know what?

[00:12:49.230] - Speaker 1

I'm going to sell right now. My phone rang and I'm going. I'm going to hurry up and buy a house in Nevada. Then I'm going to declare my residency's Nevada, and I'm going to try to game California out of their 13% capital gains tax on my $30 million sale. Let me tell you, the state of California is not going to fall for that one. It happens every day. It's happened to me just in the last few years where an entrepreneur called me and he's like, Hey, I'm going to buy a house over there. I'm like, Boy, this is not how the game is supposed to be played. We need to think about an exit, if ideally, three years in advance. Hopefully, we started our business, building it to a certain exit point or with an exit in mind. But if we didn't, it's okay. I can get a business ready to go in about six months. It happens all the time. But ideally, we want to spend about three years. We want to clean up our financials. We want to bring in an accounting firm that does transaction services, advisory work. I want to get a sell-side queue of E done.

[00:13:52.540] - Speaker 1

I want to take Uncle Jimmy, who died five years ago, but still on payroll. I want to get him off payroll. My wife, who's never stepped in the company, but she's got a 200,000-a-year salary. I got to get all my adjustments right and in order. When I'm running my business, my goal is I don't want to pay taxes. When I'm selling my business, my goal is to maximize the value potential of that business. I need to identify all these adjustments, make sure my accounting is being done appropriately, get a sell-side Q&V, talk to some investment bankers, find out what companies are selling for in my industry, who the potential universe of buyers is. I was working with a client just in the past month, and we're going to market. We talk to seven different investment banks. We let seven different investment banks pitch us. Each one of us told us who they think the top 30 buyers are. I now have this spreadsheet that's got about 60% overlap I've been about 30% outliers, 40% outliers on each sheet. It's like, this is probably my universe of buyers. I've got seven different reads on valuations. Although I'm only going to choose one banker, what I really have done is I primed the pump.

[00:15:00.460] - Speaker 1

Now these other six bankers, if they want to get paid, they got to hurry up and run to their favorite buyer and say, There's an asset coming to market. Sign me up as the buy-side advisor, and I'm going to get you into this process. Bankers only make money if a deal closes. I'm priming the pump, getting the universe ready for this company that's coming to market. It's like there's all these intricacies and things that we need to think through. Unfortunately, most entrepreneurs just don't think ahead. It's like playing chess with Bobby Fischer and you're a novice. It's like you need to look and think 13, 14 moves ahead on this chess board in order to play well. Unfortunately, too many entrepreneurs just don't take the time. They spent 20 years, 30 years building a business, but they don't take the time to exit it properly.

[00:15:48.900] - Speaker 2

I have a question about switching things. Say you were talking about you work with a lot of companies and entrepreneurs that have companies maybe making 20, 30 million in revenue, and that level requires specific types of service providers. But eventually, if they do things right, they will graduate to higher levels of revenue, etc. But they may not want to They've developed a relationship with those service providers. They're accountants, they're attorneys, et cetera. They're like, I want to stay with them, but that might not be the best thing to do. Or maybe, do you have any advice for people that might need to to graduate to other levels of service providers? Sure.

[00:16:34.290] - Speaker 1

You can still go play golf with your golfing buddy that you've been playing with for 20 years. But it's like, hey, as we mature, we have to be open to continuously learning and growing. As entrepreneurs, as we're moving through various stages of growth, so I've got that $30 million revenue company. Let's say I'm doing 15% EBITDA margin, so I've got four, four and a half million that I'm now selling. I'm bringing in a PE partner. Now I'm going to grow to call it 15 million of EBITDA. Then I'm going to sell it to somebody who takes me up to 50 million of EBITDA. I'm going to be using their money. I'm an orchestra conductor on a large scale now. I'll tell you that even with me, with leadership teams, there are times where, Hey, we have people who've been in seats. They're holding titles in our organization, and they were doing a really good job at a certain size. But as we've gotten bigger, the complexity has outgrown their capabilities set. There are times where we need to topgrade talent in our organization. Needs. What we should want as an entrepreneur is always the best outcome.

[00:17:34.770] - Speaker 1

That doesn't always translate to the people I'm comfortable with that I've been working with for a very long time. I may be working with a law firm that has a generalist who handles many things for me, and they can still keep doing that because I'm still going to have legal needs. But when it's time to sell the company, I want an attorney who does nothing but buys and sells companies as a part of their practice all day long, every day, and they've been doing it for decades. So They have the collective wisdom and knowledge of doing transactional type work and putting together purchase agreements. They've been doing this for a long time. That's a specialist. There's a difference between specialist and generalist. We need brain surgery to remove a tumor. We don't go to our dentist or our veterinarian and say, Hey, I want to save a few bucks. Can you get rid of this brain tumor? We want the best brain surgeon on the planet. When it comes to medical, everybody seems to get the concept. But when it comes to business, we forget all about that. We think anybody who's got the title attorney or lawyer past the bar, they're all equally good and capable of doing my job.

[00:18:39.340] - Speaker 2

Is there a point in which you need to start asking those questions? And what would they be?

[00:18:45.490] - Speaker 1

I think in my book, The Exit Strategy, I gave a list of... I put tables in of size. When you get to this size, this is who you should call. You get to this size, here's who you should call.

[00:18:55.770] - Speaker 2

Those are the swimming lanes, right?

[00:18:57.410] - Speaker 1

Well, no, the swimming lanes are about who your buyer is most likely going to be. Then when you sell it, again, who that buyer is going to be. This was more about if you're a certain size business, do you work with... First of all, a $30 million transaction, I don't go to the number one law firm in the country and hire an attorney to take care of my $30 a billion-dollar transaction. They're used to doing billion dollar transactions. They're not going to be interested in my deal. The largest investment banks aren't going to represent me in the sale of my $30 million enterprise value company. It's too small. We have to have the right tool for the If I'm trying to kill a bug on my roof, I don't need a tank. It would do the job, but it would also kill my house. We need to learn that as we're getting bigger, there are the right size tool, I call it, for the job. If I'm a company at 20 million, 30 million, I'm probably looking at a local to regional law firm who maybe has 100 lawyers. They've got a business practice within that law firm, and they do nothing but M&A, and they do nothing M&A and buying and selling companies, and they do it with people my size.

[00:20:03.940] - Speaker 1

It fits. If I'm 100 million, 200 million, well, I've moved up. Now I'm using a larger law firm that maybe has a thousand lawyers and they have many partners who are involved in the purchase and sale of companies. It really just comes down to assembling the right team based on the size company I am. Small companies typically work with smaller advisory firms, but that doesn't mean they're less competent. They just match the size, the right tool for the job.

[00:20:36.600] - Speaker 3

Adam, let's go from the financial and the transactional to talk about running businesses. One thing that has baffled me as time goes by, because I think it requires a level of criteria, your quote was, measure success at every level. My question is, what have been, as you run companies, what have been the most unusual metrics you've used to measure success?

[00:21:05.540] - Speaker 1

Well, I'll certainly tell you that it was common in my CEO days to walk into a company, or when I'm working with a client today to walk into a company and they have no metrics. No one's measuring anything. We're looking at revenue. How's my sales team doing? Well, here was their goals. Here was their objectives. People start with nothing, usually. I tell people there's two things. We need to score because we got to know if we're winning. I walked into a company, big company, been around for 40 years, wasn't really using any meaningful type of metrics. It was unable to because it had disparate data systems and it didn't even have an ERP platform at the time. It had over a couple of hundred million in revenue, and it was running on eight Commodore 64s. They had their, Here's my finance pack. I'll put it in this Commodore 64, and here's my dispatch pack. Put it in that one. It's just no level. I'm, of course, being facetious, but no level of sophistication. I walked in there, I said, Do we know how many employees we have? Hr Department, yes, because I cut paychecks and I got to do my compliance.

[00:22:16.930] - Speaker 1

I got all my employee paperwork filled out. Yes, I know how many employees we got. Check. Okay. Do we know how much revenue we got? Accounting team, yes. I got to know how much revenue I've got, and I've got I report my taxes. It's like, yes, I know how much revenue I got. Great. We've got our first meaningful metric. It's going to be revenue per employee, and I'm going to start there. When I'm thinking about productivity and enhancements, we'll keep going back to that bellwether, which is revenue per employee. Then it's like, Okay, do we know how much net earnings we got? Yes, because the IRS, I got to report that. I got to report it to the state. Okay, great. I know how many employees I got. I know what my net income is. I now have net income per employee. As I'm driving productivity, it's like I'm trying to create some means of keeping score. When I say do this at every level, if I'm a company filled with service technicians in trucks, I may be looking at, if it's a time and materials company, their billing, the average billing, so revenue per technician becomes an early metric with me.

[00:23:26.750] - Speaker 1

Number of callbacks. They went out to fix something and then they had to go back because they didn't do a good job or the problem came back. They didn't fix it right the first time. I can talk about % callbacks. I can talk about revenue per tech. It's like we can create metrics. I tell people for every job you have in a company, you should have two or three metrics that help these people understand if they're winning or losing. This is the productivity measures for this job. If I've got a group of people doing the same work, well, I want to put all those people and rack and stack them based on who's doing it best, who's doing it worse, and where my bar is for the level I expect. And so these people are above goal, these people are below goal. This is the best, this is the worst. Why do I want to do this? I call it pay for performance. As I'm giving out raises, am I a socialist? Do I give everybody 3% because my budget was 3% for raises this year? Or do I give the best performer in that work group 6% because the best, and I give the person at the bottom zero and tell them, Look, buck up.

[00:24:33.880] - Speaker 1

It's time to get in the game here. Then think about it this way. Let's say I got 100 service techs and I have a fleet of 100 trucks and I'm buying 10 new trucks this year. Who gets the 10 trucks? Usually, it's the people with the oldest trucks with the highest mileage. Well, not in my world. In my world, it would be, who's the 10 top performing service techs who are on top of their metrics? Those people I get my 10 new trucks and I shuffle the trucks down. If you're a great technician and you're parentally at the top of the heap, you should get a new truck every year. It's like every year you're getting a new truck. Why? Because guys in trucks like trucks. They like new trucks. They like their tools. They get to go to training. It's like we have to teach our people at a very high level that their activity matters to the success of the business. When a company is growing and successful, it has money to give people raises, to give them to send them to training, and to give them promotional opportunities as the business is expanding.

[00:25:36.980] - Speaker 1

It's like we need to keep score. We got to have metrics. We need everybody in the company to have metrics on their own performance so they know if they're doing a good job or not. We need that visibility to drive some competitiveness in a work group. Then we need to reward according to performance. If we can do these things, let's assume now the economy goes south, I need to lay somebody off. Well, everybody knows who the best technician is and who the worst technician is. If I lay off the worst technician, guess what? You can't sue me because of race, religion, age, protected class, this, that, the other, because I'm using a metrics-based system to decide who my winners and keepers are and who ultimately my losers would be. God forbid, I have to be in a position where I'm not growing and I'm laying people off. Hope to avoid that to begin with. But you're talking about metrics. We're talking about keeping score. That's the vision that I'm creating. So they can be sophisticated, they can be unsophisticated.

[00:26:43.210] - Speaker 2

How often should they change or be updated?

[00:26:46.510] - Speaker 1

Well, I think core metrics, first of all, we can overmeasure the heck out of everything. So we don't want 500 KPIs for every part of our business because then we dilute the effectiveness of how people think about performance as it relates. I always tell people two or three metrics per job, per job class. What are the four or five things that are just key? I think for most businesses, you can live with a core set of metrics for an extended period of time. That revenue per tech I talked about, I walked into this company, we had nothing. I start with revenue per tech, net income per tech. Those two metrics remained for the entire time I ran the company, over 13 years. Although we eventually invested millions in ERP platforms and technology, it's like when a metric is working, we continue to use it and write it and people understand it. I remember it's like a lot of people talk about it. That particular company, we were able to increase the performance of the business by over 40%. Employee productivity, revenue per person, revenue per employee, revenue per service tech, revenue per salesperson, revenue per this, for It's like we were able to see a 40% increase in employee productivity, and we were tracking that metric.

[00:28:06.360] - Speaker 1

What we were adjusting in the business, and as it was growing, we were getting more productive using technology to solve old, antiquated manual processes in the company. As we were picking up steam and getting better, we kept looking back at that same metric. How are we doing now? Hey, we've had an increase. I'd say that good metrics don't necessarily have to change frequently. They can probably last a decade or more with a company. But that doesn't mean we're not open and looking for new things to measure. Let's just not over-measure.

[00:28:36.500] - Speaker 2

That makes sense. Can you tell us about what the conference table rule is?

[00:28:40.910] - Speaker 1

Yeah. What we're referring to is in-world, most companies of any level of sophistication have what I'll call just strategic plans. Here's the five or six initiatives we think are important to the future of the business. These are the ones we're going to track, we're going to push, we're going to implement, and we're going to align ourselves to work on all this stuff. Back in Jack Welsher, it was like we put together these strategic plans, we drive the heck out of them, but we never translated, I'll call it talent to value. The value we wanted to see who was the people in the company that were going to drive and make that happen and how are we going to think about hiring these people, incentivizing these people, and driving their behavior? Long comes a guy named Sandy Og. Give him credit. Ceo. Works. Com or org. I'm not remembering. But Sandy Og, if you Google him, you'll find him. Got some books on Amazon. He's the godfather of this thing called talent to value, at least in my mind, he is. I learned a lot from him. So he started thinking about, Okay, so we've got your typical strategic plan, we've got your five or six initiatives.

[00:29:45.250] - Speaker 1

Who in the company is going to focus on these things to make it happen? What system are we going to put in place that ties human activity and call it the people in the organization to the value creation plans that we in place? One of the simple ways to think about this, a company I walk into typically is going to have a handful of initiatives that are always going to be the same. I'm going to be focused on driving organic growth. I'm going to do that with price, with volume, and with making strategic pivots, looking for ancillary revenue streams, other things I can sell the same customer base. I'm going to have a bucket for margin improvement. Process improvement, purchasing, I get bigger, I buy more stuff, I buy it at cheaper prices. I'm focused on process improvement, really just analyzing how a process works in the company. As the company has grown and gotten bigger, can we redesign it to be more effective? Can we invest in technology to drive productivity? There's always margin improvement components. In any world I'm around, as M&A is going to be a component of growth, I'm going to be buying companies.

[00:30:51.320] - Speaker 1

As I'm buying companies, I'm harnessing synergies, and I'm creating arbitrage as a part of getting bigger from a smaller company to a bigger company, buying a bunch of small companies at a low price, putting them together. The larger company is worth more because it's rarer. It's climbed the PE pyramid, and now bigger buyers look at it and they pay up because there's fewer companies of that size in any given industry that they can buy. The M&A is a component. But then I've got another organic growth component, which is going to be organic growth on the companies I buy. I have a whole strategy around cross-selling and putting science into thinking about M&A and how we should think about buying and integrating and expanding organic growth, both in the mothership and the acquired company. I've got these normal buckets of growth. What we do then is take that bucket of growth. Let's say organic growth. I got volume, I got price. Well, who's going to Now think about a conference room table. Take these two initiatives and label a conference room table. This is the volume table for organic growth. This is the price table for organic growth.

[00:31:58.370] - Speaker 1

Who in our company of 50 employees or a thousand employees is going to sit at that table to make volume happen? How are we going to get more bids out? How are we going to get our close rates up? What are we going to do to drive ancillary revenue streams? Are we going to Can I service contracts to product sales? Can I create a recurrent revenue stream on a project-based stream that never had recurrent revenue before? I installed a bunch of stuff. I built something. Can I add a service component to it? It's like, who are the people in the organization that would actually sit at the table to strategize, to come up with the ideas, and then to come up and implement those ideas to drive the growth that we ascribe to that table? So tables are the physical transformation of taking a strategic plan, laying it out now and saying, what people do we need in the company to focus on this? I'm going to give you an example. When I had my tables for my last company, I had 3,000 employees, but we identified that it was approximately 23 people out of 3,000 who would sit at these tables and they would make about two and a half billion dollars with a B of shareholder value actually happen.

[00:33:17.090] - Speaker 1

Normally, when I'm running a company, I turn over the keys to the COO and say, You got day-to-day operations. We got to delight customers every day. We got to take care of our core commitments, need to keep running that base business. I'm going to then bend the curve and the growth initiatives, M&A. I'm going to focus on bending the growth curve and focus on hitting these growth targets and traject. You're going to focus on that base business and After I buy something, we integrate it, I throw it over to you. It's now a part of the base business, and we're going to get into this regular cadence of how we manage the base business and manage the components of growth. I always do it now since first working with Sandy a number of years ago, I now always do it in this fashion. And guess what? It works. It works really well. There was a high caliber, this high component of hit or miss. We'd make a strategic plan It was our strategy, but we didn't really assign ownership to it or think about it in terms… Sandy took it to another level. Tables is the physical interaction of, Here's my strategic plan.

[00:34:27.410] - Speaker 1

These are now the people in the company that own it. As a CEO, those 22, 23 people are going to be on my calendar with some level of frequency. I don't care if they're three-level down in the organization, don't report to me, don't report to my direct reports. If they're one of these 23 people, they're going to be on my calendar. I'm going to make sure that I take a vested interest in them, in their career development, in making sure they've got the resources they need to succeed, because it's not going to just be sea-level people sitting at these tables. Matter of fact, that's the wrong place. It's I think about price. What was the activity in price? I've got 50,000 service contracts already in existence, and the contract base language has changed every year for the past 10 years, and I've got some old contracts, new ones. It's like, I don't even know which contracts have price escalation clause is already built in, which ones don't? Where do I need new paper next time I renew? What should my paper look like of my base contract? I need a lawyer at the table. I need my director of contracts at the table because someone's going to have to go physically read 50,000 contracts to find out which ones have price escalation clauses, which one don't, what flavor of ice cream year vintage are these contracts.

[00:35:39.370] - Speaker 1

We're going to have to now create some new technology in our ERP system to set the flags. Next time I need to know which contracts have a price escalation clause, I can push a button without reading 50,000 contracts. We want to get to where it's the people who physically are going to be doing the work, managing and directly supervising the work, that's who needs to at these tables. That's the focus. That's the methodology that Sandy developed, and I like it. It works.

[00:36:08.090] - Speaker 2

It seems like this is also where you bring in the KPIs, I suppose, because if you're at those tables, this is what we need to have. This is where we need to be, right?

[00:36:16.200] - Speaker 1

Yeah, exactly right. It's what were the units of growth? What are the initiatives? Then as soon as I do that, who's going to sit at the tables to make those initiatives happen? When those tables are constituted, the very first thing they have to do is decide how are we going to measure success? What are the KPIs we need to track our progress? Then they can focus on tactical execution. What are the initiatives that we're going to try in the organization? Then we'll use the metrics to keep score, and we'll make our tweaks to process or to procedure. Then we'll watch the outcome and see if our action is having the right impact. All of this then gets tied together.

[00:36:58.660] - Speaker 2

I think it's interesting you that there's no sea-level people at the tables, and there probably shouldn't be because you want to get the best sense of what's happening. The way you sense it is by getting the people that are on the ground, feeling the product or feeling those processes so you can refine them, right?

[00:37:18.580] - Speaker 1

There are times where some sea people will be at the table. But if I see the same name, if I got eight tables and I see the same names on six of them, I've got people too high in the organization and I'm not hitting this correctly. It's like, I want to make sure also always that there's an executive sponsor that owns or ride shotgun over each of these tables. Because if I've got a director of price who owns this price category. First of all, most of my companies probably didn't have a director of price. I got an open... I also identify growth positions or positions in the company. I got an empty chair. There's probably somebody we need to hire that has this a skill set to do this work. Sometimes we identify also. Last time I did this, 23 people identified. Nine of the 23 positions were new positions that did not exist when I did it the last hold period in the last time out. What we do morphs as the company is getting bigger, too. But it's like, if all I've got is the same people sitting at the same tables, I've I have not done this.

[00:38:31.970] - Speaker 2

You did a different table.

[00:38:33.690] - Speaker 1

Yeah. I'm mindful that there needs to be people who are close to the work at hand to be done. On that growth volume table, if I have a chief revenue officer, they probably do sit at that table. But so do my vice presidents of channel. You have my different products and services. I might have some marketing people there because there it's all about how do I get more leads, more bids, higher close rate? The people in that room can drive sales teams, the tactical execution. But like that price table, it's probably a director-level person leading that table. I'll assign an executive sponsor because when the director goes to three division presidents and says, Sir or ma'am, I need you to do this. They looked down and they look down and it's like, you're- Who are you?

[00:39:20.800] - Speaker 2

What's your name again?

[00:39:22.010] - Speaker 1

Who are you? Where are you from? By what authority do you command me? I need that executive sponsor to say, Excuse me, I'm the authority that commands you to listen to this person. But it's a fascinating way of really tying what I would call strategic planning and turning it into tactical execution that's manageable. It's worked quite well for me, and I know it works for a lot of other companies, too.

[00:39:50.880] - Speaker 3

Adam, you have built your reputation in the private equity world, and yet in the book, you referenced that Many, many people, maybe even 90%, don't even get what private equity is all about. Did I misread that? Is that obvious? Is that accurate that there is an enormous percentage of business owners that have never even thought about have thought of the term private equity? Is that accurate?

[00:40:18.250] - Speaker 1

I'll tell you that they've heard the term, but they don't know what it means. Let me expound on that. Every time I teach a seminar, every time I got a room full of people and the topic is private equity, I I start my lecture or start my seminar by giving a simple 10-question quiz, and I have five answers instead of four, so I eliminate the guesswork of statistic of someone being able to pass by guessing. So I've We have five choices. The proper answers are inside the private equity playbook, that first book that you read. These are all basic questions. These are not trick questions. They're basic questions. What's the typical lifespan of a private equity fund? Who's the limited partner and who's the general partner? It's basic questions like that. Every time I give that quiz, I'm talking a room filled with MBAs, business owners, executives, 90% of the room fails the test. I've only had one person in the 10 years I've been doing this who scored perfect. She read my book the night before and she had an idyllic memory, and she just got a 10. I don't know what else to tell you.

[00:41:34.670] - Speaker 1

She was a freak of nature how smart this girl was. She got 10 out of 10. But most people who pass get six out of 10, and most people who fail get 1, 2, 3, right out of 10. What I'm demonstrating to them before I then get into educating them about private equity is I show them how much they don't know. I point out things like, Look, private equity is the world's largest source of non-bank capital, debt lending and equity infusion. Private equity buys 50% of all companies on the planet. On average, it doubles the stock market in terms of returns. All we ever hear on the news is bad things about anything, let alone private equity. I hear all the private equity bashing, and I hear entrepreneurs who answered the phone when it rang, sold their business to that company, didn't put the forth thought planning in. Some had a good experience, some had a bad experience. But essentially, it's an understood asset class. It's because of private equity, we have an inflated private market to sell a business. Whether we sell a private equity or not, The fact that we're going to get a lot of money is because there is this market that they created.

[00:42:49.350] - Speaker 1

There's the financing that they created. If we want to be an astute entrepreneur and get the most out of that potential, we have to understand how it works, and we have to understand what its needs are, and what its built-in inherent flaws are so I can manipulate and take advantages of them and get what I want, which is capital and wealth creation. I got to give them what they need, which is returns for their limited partners. And so it's by better understanding how capital works, we can then be more successful as entrepreneurs. I just find that it's a highly misunderstood You say private equity and people have visceral reactions and nobody knows how it works. And so that book was designed to educate a generation. Got you.

[00:43:39.850] - Speaker 2

There are any assumptions people have that they're just way off?

[00:43:45.170] - Speaker 1

Well, let me start with one. Most entrepreneurs have this attitude. Again, I'll call it the arrogance of success. If I sell my company and stay as a minority shareholder, there's no possible way that these people are going to know what I know about running a company. Never going to happen. I point them to

Jeff Bezos, and I say, before the divorce and a recent drop in Amazon stock, Jeff Bezos was the world's wealthiest man, and he only owned 12% of Amazon. Today, I think he owns 10%, it's worth 170 billion. I think he's the third richest person on the planet, last time I checked. But here's a guy who owns 12% of his company, which means 88% of other people own business. He's the world's wealthiest man. If it works for Jeff Bezos, it can work for you, Mr. Arrogant young entrepreneur who's got a company worth 30 million. The first misconception is, if I don't have control, It's not good, and I can't possibly make money or thrive or flourish. I would show you that with institutional capital, and I talk about it in the book, I don't want to see any entrepreneur have a business worth more than $100 million who doesn't ring the bell, doesn't create asset diversification and diversify their wealth base and become a minority shareholder, bring in institutional capital, accelerate the pace of growth because you now have an unlimited checkbook and you can actually generate wealth faster with a partner than you can without the partner.

[00:45:19.250] - Speaker 1

The other problem entrepreneurs have then is when they get to be about 50, they start to slow down a bit and they start to get worried. I can see the endpoint at the end of the light at the end of the tunnel. Now I don't want to invest in my business the way I should. Now I don't want to expand and focus on growth and do all those things I did as a young person when I was building the company aggressively to create the business. I now want to shy away from all of that, and I start making bad business decisions because I'm not making good decisions focused on growth. But when I diversify my assets, I don't have to worry about that. I've got enough gold hidden in the tree that I'm good. I still have enough rolled forward to where I get a second bite of the apple that's bigger than the first, and I'm now using other people's money, OPM, to grow my empire, and I can be aggressive again, and I can swing for the fence instead of trying to hit a single, and I can make good business decisions. I think those are two areas story is.

[00:46:15.650] - Speaker 1

From a private equity perspective, I would also say that another problem that I see, and I wrote an article about this recently in Forbes, here's a shocking statistic. 73% of entrepreneurs who sell their company to private equity do not survive the first five-year hold period. Why is that? 73%, and I saw your eyes go up. It's like, That's the number. 73%. Well, first of all, there was a group of people who were at 70 and they sold their business. They plan to retire anyway. But then of that group that's left, invariably, when we give them a wheelbarrel full of gold, we've got some people who think, game over. I've arrived. I don't have to work hard anymore. I just got a wheelbarrow full of gold. Well, your private equity sponsor just gave you a wheelbarrow full of gold. They haven't gotten any gold from you yet, and they need you to actually double down and work harder than you've ever worked before to generate the returns they need to justify that investment by their shareholders and their fund. They want you to work harder than you've ever worked before. This isn't time for relaxation. This is time to get back to work, brother.

[00:47:25.630] - Speaker 1

It's like, Sister, time to make wealth happen for me as your majority shareholder. I think a lot of people check out after they get a wheelbarrow full of gold. I think people think too often that selling their business is a one and done event. I tell people it's a rest stop on the wealth creation highway. When you're bringing in private equity, the level of game is going to increase dramatically, and the expectations are going to increase dramatically, and you got to gear up for spring training. You may have just won the Super Bowl, but it's spring training now, and it's time to get back to or you won the World Series, Texas Rangers. But now it's back to work. It's April. Matt Scherzer, my neighbor, get your ass back over there and start throwing the ball across the plate. I paid a lot of money and you disappointed me during the World Series. You were hurt. It's like, We got to get back to work. Why do professional athletes train? Why do they go to spring trainings? Why do they have camps? Why do they practice? Because it's a high level. If you want to be a professional and win a champion, relationship, you got to be at the highest level.

[00:48:31.570] - Speaker 1

Well, if you're working with private equity, you're playing at the highest level of business, and you need to buy on your A game. That's awesome. These are some of the misconceptions I think people see.

[00:48:41.440] - Speaker 2

Well, this has been another whirlwind. You've shared a lot of knowledge. When's your book coming out, by the way?

[00:48:49.040] - Speaker 1

Book's out. It hit number one in 15 countries in the first 24 hours. God bless my friends in Australia because the day came first in Australia. They were the first people to make number one, and I had this weird thing happen. There was a time in Australia where the top eight books in the country at the same time were all written by me. I've only written three books. That means that there was hard cover, soft cover, audiobook, paperback. It's like the top eight spots in the country were all held by me at the same time with my three books.

[00:49:28.840] - Speaker 2

That's cool. So shout out to my- Did you read the book?

[00:49:32.540] - Speaker 1

The book that I wrote? Unfortunately, I read it a thousand times. Eventually, you get to a point to where it's like, my brain's fried, pencil's down, it's done. And I'll tell you that Some people may not know this, but when the early press runs came out, I had to rewrite for the audiobook script. I rewrote the final. It was already off to the publishers and being run. It's like, I discovered five mistakes when I did the final read through. It was supposed to be greater than, it was less than, symbol of a picture, something I didn't catch. An editor couldn't possibly know because I'm the content expert. I caught five errors, and so we scramble to get those five errors changed. It's like a movie blooper. You watch a movie for the 30th time and you're like, Hey, did you see that Charlton Heston has a Rolex watch on when he's parting the Red Sea? Moses It's stuff like that. I got them all corrected. But the first editions that hit the shelves that people bought, there were these five little errors, and then we got them corrected. But yes, I read this book too many times to where I could look straight at the same mistake, time in and time out, and not recognize it.

[00:50:50.760] - Speaker 1

But when I was writing the audiobook script for the voice talent, Ron Butler, well, it's like if I say, refer to this diagram, well, there is no diagram in an audiobook, so I have to describe the diagram, so you have to change. I had to read it with one last meticulous eye after the final, final, final, final was already off to the publishers and printers. It's like, Oops, here's a mistake. So yes, I did read it. Eventually, I go brain dead.

[00:51:22.300] - Speaker 2

Yeah, I bet dad can empathize with that. He read his book, which has a much more complicated name. Yours is easy to say. Anyways. Well, Adam, thanks so much for your time. How can people find you, by the way?

[00:51:36.410] - Speaker 1

Linkedin. I'm on LinkedIn every day. Website, adamcaffee. Com. I've got another one, adamecaffee. Com. It's like But it doesn't take much to find me, and I'm most responsive on LinkedIn, to be honest with you. People reach out to me every day. I'm on LinkedIn every day, and I happily interact with you all.

[00:51:57.980] - Speaker 2

Do you have a next book in mind?

[00:51:59.660] - Speaker 1

I've got a few that are done. I'll call them done. What I've got is the fully blown outlines in the can. I start with, and usually they start as a lecture. I'm going to perfect them in a seminar format, lecture format, and then I'll revisit those. But one of them was called Life Lessons from the Corner Office. It's just not necessarily a coherent book from X to Y, but just, Hey, here's the things I learned 20 years 20 plus years as a CEO, and just a bunch of different anecdotal type lessons. It's interesting because the topics come from you. They come from readers. They come from listeners. They come from people I'm interacting with. I see the need, and then I pounce on it.

[00:52:49.210] - Speaker 2

That's much better than just being like, People are going to love this. I don't know if they will, but I think they will.

[00:52:53.820] - Speaker 1

I try to solve real problems for people that I'm working with. If I see a pattern, that becomes a potential for a seminar and a book. My timeline is private equity playbook 2019, exit strategy 2021, and then 2023 for Empire Builder. I get to take a year off after a book launch, and Then I go back at it. I don't stop working. I work every day. I work more today than I did as a CEO, but I take a year off of writing, and then I let that book get out there and work its way around. Then about a year in, I start focusing, Okay, time to get something going. What's this going to be? What am I hearing? I'm working and interacting with all these hundreds of entrepreneurs. It's like, What are they telling me? What's the issue or problem of the day? Can I help them solve it? That's how I do it.

[00:53:44.500] - Speaker 2

Well, we will look forward to the next one. Hopefully, we can interview you for that one as well. Adam Koffie, thanks so much for coming on the show.

[00:53:51.210] - Speaker 1

Take your 2025.

[00:53:52.610] - Speaker 2

Okay, we'll give you that. Good guess.

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