# WALKING TO DESTINY

## 11 Actions an Owner **MUST** Take to Rapidly Grow Value & Unlock Wealth

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# CHAPTER THIRTEEN

## Changing Your Outcome

What is your destiny as a business owner?

I do not believe that our destiny was to simply own a business, despite the magnitude of that undertaking. However, by the very act of starting this entrepreneurial lifestyle, you secured your imminent walk toward certain destiny. So where are you headed? **Your eventual exit.** All things have a beginning and an end, and it is every business owner's reality to eventually transition the business they built. And I am here to tell you that **your destiny is to cash in and to ultimately empower the next generation of ownership**—whether that be one of your children, your employees, management, or some third party you don't even know right now. Your destiny is to leave a legacy, stretching far beyond the present and into a future that is better because of your achievements and contribution. Wallace Wattles believed that the best way to help others and show gratitude was to get rich and give back. I absolutely agree. And

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*Walking In My Destiny*
*Malcolm Williams*

*He has purpose and He has plans for you*
*To bring you to your expected end*
*It's a process but one He'll take with you*
*And He'll lead you to your expected end*

*You can't imagine you cannot see*
*The things that He's has just for me*
*I'm ready to live in prosperity*
*Walking in my destiny*

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I named this Value Acceleration business book ***Walking to Destiny*** because it literally explains the truths you must adopt to achieve your well-deserved destiny.

## SIX STEPS ON YOUR WALK TO DESTINY

To begin your walk, first you need to own it. Accept your responsibility. Choose the three legs to be the three pillars of your future. Make them your center. Make harvesting your business value your purpose. Organize your entire life, including your business, around these pillars. Own it.

Second, take action now! **Change your paradigm and bring exit planning into the present.** Take the first step of Value Acceleration by completing the Triggering Event. Know your baseline. Understand where you currently benchmark so you can start building transferable value while empowering the next generation of owners, creating your legacy.

Third, truly adopt Value Acceleration as your management and life planning system. Start running your business on the framework outlined in this book. Every single day. Bring your personal goals and aspirations in line with your business aspirations. Doing this will give you a framework for relentless execution of your plan.

Fourth, get yourself educated. Use the educational resources (including those described below) to get on top of this process and steer your path. Reading this book was a key step. Another read that should be high on your list, one of my favorite books of all time: *The Seven Habits of Highly Effective People* by Dr. Stephen Covey. My favorite part of that book is the P/PC principle. "P" stands for productivity. "PC" stands for productive capacity. In the book, Covey asserts that your P and PC need to be in balance. In order to produce well and consistently, you need to invest in your ability to produce. In other words, you need to invest in yourself first. If you don't feed the goose who is laying the golden eggs, the goose will stop laying altogether. Setting time aside to invest in your education, your health, and your spirituality is a PC activity and is vital to your ultimate success.

Fifth, surround yourself with a stellar team and demand better team play. Your teams must be collaborative, accessible, and transparent. Discourage silos. To be effective, you and your core team need to organize around a common organizing principle, which is the **Three Legs of the Stool.** Don't go it alone. You must engage the talent around you to be successful. You must demand that your team put you and your family at the center, and demand that they work together for one purpose: to ensure your legacy and help you monetize your well-deserved riches. The ultimate measure of the team's success is value. Value is achieved by the accomplishment of actions.

Finally, prove your commitment by establishing an investment in Value Acceleration. It should literally be a line item on your budget. That directly communicates your present willingness to invest in the future of your business. Failure is found when your actions don't match your values. Investing time is not enough; you will need to invest some money into this process. Accept that. Bringing in the expertise needed will get you over the hump, keep you focused, and pay dividends far exceeding the costs.

## TAKE OWNERSHIP, GET EDUCATED

Transition success rates are poor for many reasons, but a fundamental one is lack of exit planning and business transition education. You don't know what you don't know. So in ignorant bliss, you make assumptions that exit is something you take care of down the road.

The first thing you need to do is accept the importance of exit planning and bring it into the present. Take responsibility. A good way to start is getting yourself educated. The EPI *State of Owner Readiness Survey* reported that 66% of the owners surveyed had not completed any education related to their exit. Is it any wonder you are confused and view the process as future-based, complicated, and time consuming? But are you really going to outsource what is likely to be the largest wealth creation event of your life? The good news is there are a number of resources available to you.

## ADVISORS

You can and should contact a credentialed subject matter expert, such as a Certified Exit Planning Advisor® (CEPA®), in your area. These advisors have completed EPI's MBA-style credentialing program. A CEPA can meet with you to discuss the process, answer your questions, and conduct a Triggering Event. You will learn more about your business value than you may have ever been able to assess previously. From there, your CEPA will be able to support you, quarterback your team, oversee your de-risking and growth projects, and secure the business legacy you deserve.

The CEPA Program, created in 2007, was developed by nationally recognized experts in the field of exit planning and is based within the Value Acceleration Methodology. Today, there are more than 600 credentialed CEPA advisors worldwide. Those who hold the CEPA designation are CPAs and accountants, financial planners and wealth managers, attorneys, commercial lenders, insurance advisors, M&A advisors and business brokers, and management consultants who have gone the extra mile to learn how to do this right for the business owners they serve.

Most CEPAs operate right here in the U.S., and there is likely at least one in your local community. Go to the EPI website (www.Exit-Planning-Institute.org) and search for a CEPA in your area. Or call the headquarters office for a referral. My team will gladly get you an introduction to a top-notch advisor at no cost. The CEPA is a critical advisor for Value Acceleration and someone who belongs at the head of your team.

When you meet with an advisor who claims to be an expert in exit planning, please make sure they are credentialed. Plainly, there are a lot of hacks out there who claim to be exit planners. Ask them how long they have been working with business owners. Investigate their reputation. What credentials do they hold? Are they experienced in dealing with the problems and challenges of business owners? Do they understand the conflicts that arise as a result of conflicting manager, family, and owner values? Can they speak in detail about the key drivers of value and embrace a focus on value and income? Do they take a holistic view of exit planning, not just a functional view? What methodology do they use (or do they even have one)? Ask them to share stories and results from past engagements. Having a CEPA at your table will directly enhance your knowledge and acumen.

## ASSOCIATIONS AND PEER GROUPS

Since 2005, the Exit Planning Institute has pioneered the exit planning industry and is fully dedicated to serving the educational and resource needs of credentialed exit planning professionals. Uniquely, EPI is a cross-functional group. Our mission is to change the outcome for business owners and their families by helping them identify, protect, build, harvest, and manage their business value. There are resources available from EPI geared toward you and other owners, like the *State of Owner Readiness Survey,* national *Certificate in Exit Planning Workshops,* and regional *Owners Forums*. You do not need to be a member or working with a CEPA to participate. A major focus for EPI is bringing awareness to owners like you. So you are encouraged to utilize these opportunities for training and education.

In addition to EPI, there are many associations that are dedicated to helping you. Look into the Family Firm Institute (FFI). FFI is primarily dedicated to educating and supporting family business advisors, but you don't have to be an advisor to attend their conferences. If you want to get some solid education on family business and the same educational exposure your advisors are receiving, attend one of their conferences. I recommend attending these conferences with your entire family.

Plan to attend an ESOP (Employee Stock Ownership Plan) conference. Look for a local organization that provides support to business owners interested in selling to employees. In Northeast Ohio, we have a wonderful group called the Ohio Employee Ownership Center (OEOC), a nonprofit, that is affiliated with Kent State University. There are similar groups nationwide, so see what you can learn there.

Many trade associations and peer groups are now addressing the exit planning phenomenon, offering education and peer group support to their members. Vistage International and Entrepreneurs Organization are two options that come to mind.

Many local and national universities have "Centers for Family Business." Case Western Reserve University, again here in Cleveland, has a great family business center. So do the University of San Francisco and the University of Chicago. Finding one near you is as simple as going to the website of your local university and checking to see if they are hosting programs that you might attend. That's a no-brainer.

Many local communities offer education through their economic development offices or Chambers of Commerce. Economic Development groups all over the country are realizing the importance of ensuring the continuity of privately held businesses in their communities. Several of the more progressive ones are becoming CEPAs and offering local and statewide services to their business markets.

Look for a local EPI Chapter in your area. We have an expanding network of chapters in many cities throughout the U.S. and Australia. We have chapters in New York City; Atlanta; Chicago; Northeast Ohio; St. Louis; Indianapolis; North Texas; Northern and Southern California; Salt Lake City; Minneapolis; Southern Nevada; Phoenix; and Sydney, Australia. Every chapter has unique aspects related to its local culture and business environment. The chapters work on a common framework built by EPI and apply that framework to the specific local needs of the regions they serve. Each has a president who is a thought leader on this subject and a leadership team to develop curriculum to educate the local community of advisors and business owners.

The chapters hold regular education and networking events throughout the year. Business owners are welcome to attend these chapter events. Many of them now host annual, semiannual, or quarterly Owners Forums where local business owners can interact with credentialed advisors, participate in educational seminars and breakout sessions with other business owners, and listen and learn from nationally recognized subject matter experts on identifying, protecting, building, harvesting, and managing business value, family business ownership, master planning, strategic planning, marketing, information technology, talent acquisition, retention, and management.

Furthermore, CEPAs in these communities may offer small peer group roundtables and seminars which benefit and educate owners. My firm has partnered with a leading CPA firm in town called Skoda Minotti. This is a CPA firm that gets it. In my opinion, a big reason they "get it" is because the firm was founded and is still presently led by Greg Skoda, an entrepreneur first, CPA second; and a progressive partner in the firm named Mike Trabert. Mike, a CEPA, has taken on the challenge of educating the other partners and bringing proactive Value Acceleration solutions to Skoda's client base.

## ASPIRE PLUS OWNER ROUNDTABLES

You should find a local provider of Aspire Plus Owner Roundtables (these are the Roundtables I have referenced throughout this book). They are delivered in a five-part series, teaching the Five Stages of the Value Maturity. It's one two-hour session each month for five months straight. You will attend these sessions in groups of eight to 12 business owners. This forms a peer group that goes through the education together, sharing your challenges, points of view, and real-life stories with each other. It is a perfect forum for learning what you don't know. For example, I asked one of the owners in an interview to rate on a scale of one to six (one being "I know little to nothing;" six being "I am an expert") how well she thought she understood business valuation. She answered,

> *"Before attending the Roundtables, I was maybe a two. After, I feel I am a five."*

Another owner commented that he wished he had been through the series 10 years ago. He noted that if he had, he would have approached things in his business differently the last 10 years, saying:

> *"I wish I had those 10 years back..."*

One hundred percent of owners who have completed the Roundtable series indicated they would recommend the program to fellow business owners, with survey comments saying:

- "I'm not much for seminars. Time is in short supply to begin with. But this was absolutely worth it."
- "The courses provide specific and actionable information that was directly applicable to the management of our business and

understanding its value quantitatively and qualitatively."

- "This program allowed me to better understand how to grow the value of my organization and to provide a framework for ongoing value improvement."
- "While I view myself as being experienced in and knowledgeable about many of the topics covered by the Roundtable, the approach to many of the topics provides me a totally new perspective, as well as an actionable framework to assist my company, my partners, and me as we consider a few topics the Roundtables covered."

To put it into perspective, these owners spent only 10 hours over five months to achieve this benefit. Again, a no-brainer for your value growth educational pursuits.

*Don't want to do all this legwork to find these groups and programs? Easy: call a CEPA.*

CEPAs are familiar with all the programs in your community and many of the advisors: both the good ones and the hacks. They can tee you up with the right resources. They have your best interests at heart. They have invested their time and money to learn how to do it right. And they will help develop an educational platform for you and provide invaluable guidance on your journey.

## MANUFACTURERS, FRANCHISORS, AND BIG CORPORATIONS

If you are a manufacturer or franchisor who sells through distributors, dealers, or franchisees, or you are a big corporation who buys products and services from middle market privately held businesses, you would be wise to offer succession planning and value acceleration education programs to your supply chain partners. It will take some coordination, but not much money, to offer this as a value-added service. And it may very well save your supply chain.

In the case I discussed in Chapter Two, the manufacturer provided me a platform and paid a reasonable fee for me to speak at their national conference. Then they provided a facility where we could gather with their dealers, and their families, over a day and a half, to teach them in a very interactive setting about exit planning and value acceleration. Each dealer paid a small registration fee (albeit a substantially discounted fee relative to market value) to attend the program. The manufacturer was not looking to make money on the program, simply to cover the cost of having me and Peter Christman come in to teach. Their event broke even, but the benefits? Tremendous. Below are some of the comments made by the attendees to the vice president of sales who hosted the workshop:

*Thank you for the kind words and taking time to send them to me. I came back with newfound enthusiasm. I wrote a contingency plan, organized a board of advisers both for the business and personally for Rachelle should something happen to me. Sunbelt will be doing a business evaluation next Tuesday and I have both a financial planner and CPA and both are on the advisory board. Rather than writing processes for individual departments and personnel, I have contracted a video production company to assist in recording systems where they will be placed in the cloud on SF....employees, new hires, and management will have PW access, which will be measurable, as when they view or review, their access is documented. On another topic...why the h*** do you do this stuff in Cleveland in February? —Waukesha, WI*

*Best meeting he has ever attended. Hired an evaluator and accountant. He is going through his entire business, line by line, and making changes. Calls me every few days to give me an update. —Claire, MI*

*Calls me every few days to ask questions. He and Joy loved the meeting. He is hiring an evaluator and has met with his partners to develop a buy-out plan for the future.*
*—Harrisonburg, VA*

*Called just to thank me for having the meeting (he gives me far too much credit). Said it was a fantastic meeting and that he is looking at his business totally differently.*
*—Walnut Creek, CA*

> *She called to thank us for holding the meeting. Last week, she removed some weak links in her dealership (which I thought she would never do) to improve her business. She even told me that she does not know what we told Luanne, but she likes what she is doing! —Meadville, PA*

> *He is starting the process of hiring an attorney to set up a succession plan to sell the business to his daughter and son-in-law. —Pittsburgh, PA*

These owners spent a day and a half, only about 12 hours, to get this kind of benefit. And they were even willing to come to Cleveland in February to get it!

My point with these examples is to show you that quality educational resources are available today to help you, and if you spend just a little bit of your time to learn about what exit planning really is, you can begin to change your outcome.

## START READING

In addition to attending seminars and conferences and speaking with advisors in this space, another really simple way to start getting educated is to start reading. If you are reading this sentence, you are already off to a very good start. The subject of exit planning, succession planning, transition planning (whatever you want call it these days) is a hot topic and the industry is starting to produce some pretty decent literature. For a list of recommended reading, visit my website, www.SniderValueIndex.com.

## COMPLETE THE TRIGGERING EVENT

As I described in the Five Stages of Value Maturity, the very first step in Value Acceleration is to Identify Value by completing the Triggering Event. This step is always first and can't be skipped because it sets the baseline for measuring value (and everyone's performance going forward). If you do nothing else, complete this step. If, after the Triggering Event, you don't feel compelled to proceed, then stop. You would fall into the 30% of owners who don't want to approach Value Acceleration. But odds are, you are in the 70% and you will have several "a-ha" moments, seeing and deeply understanding, for the first time, things about business value and how your personal aspirations impact it. Knowledge is power. Get a clear view of your business. That clarity is a standalone benefit.

## ESTABLISH YOUR TEAM

Surround yourself with A-players. Remember "First Who, Then What." Exiting properly is complicated. Sorry, that's just the way it is. You might have dozens of team members. As such, it is vital that this team works well together, yet rarely is that so.

You need to own this team and be the team leader. You and your family need to be at the center. This is by far your largest financial asset, and as I have indicated in previous chapters, this effort is more than just monetizing your largest financial asset—it is likely to be the love of your life. This is one of the reasons you start by investing time in getting educated and adopting a framework. A lot of different people will move in and out of the framework on your walk to destiny. You don't want to allow them to buffalo you. And you absolutely need to make clear that the final decisions are yours. Remember that each team member will be looking at things from their functional point of view. Overall, that is healthy, if managed by you.

Your attorney looks to keep you out of trouble. Your CPA has an aversion to risk. Your financial planner wants hit a certain rate of return (and they would also love to get their hands on more of your wealth). Family members and partners can have good intentions, and sometimes hidden agendas. Your Value Advisor is okay with calculated risks—but with your money, not theirs.

All that being said, I am generalizing and probably not being completely fair to them. But the point is, you want to consider their advice, but benchmark it against your own educated vision. Don't let any one of them take over control of the team or manipulate you into doing what's best for them, rather than you. If your team can't come to a consensus when the time comes to make a decision, you make it. You choose. If your team is consistently struggling to come to a consensus, then you probably have the wrong team.

There is likely to be some overlap, but you are going to basically need two core teams because you will be walking to destiny on two concurrent paths: personal and business. Your personal team (the Inner Circle) will be helping you execute your personal actions and the other will be helping you execute your business actions. These teams will include your family members and partners, your key management and employees, suppliers and customers, and your core and secondary advisors. Let's start with the one I think you most fear (and many of you just hate): your advisor team.

## WHY DO YOU HATE ADVISORS? YOU HAVE YOUR REASONS.

For one, they each have very different roles and their advice can be conflicting and expensive. Yet they all covet that direct relationship with you. They all want to achieve that "trusted advisor" status. Besides giving them a more predictable stream of income from you, their client, it also gives them more meaning. Most owners hate consultants. However, most advisors, despite what you might think, genuinely want to help you. They take great pride and satisfaction in doing well by their clients and seeing their clients succeed and be happy. If you view advisors as "evil" in your mind, I'd argue they are a necessary evil.

Advisors tend to be very technical people and like control. Anything that separates them from that is a threat. I can remember speaking with the partner of a CPA firm who had been providing accounting services for years to a new client of mine. I had recently been hired to perform a valuation for the client. I had not previously worked with this CPA firm and no one there was a CEPA or member of EPI. So I set up a meeting with a partner of the firm to introduce myself, share our methodology, get his insights, and begin the process of establishing a relationship. The conversation went something like this:

Chris: I have been hired by the client to complete an assessment and valuation of the business.

CPA: Oh really? I hadn't been told that.

Chris: Well, I think you know they are thinking about exiting and they spoke to their attorney, John, and he recommended they meet with me. John and I have worked together before. You know John, right?

CPA: Well, of course, John and I go way back. Frankly, I'm surprised he didn't call to let me know about this.

Chris: I'm sure he intended to or will. We met with the clients last week and went over our approach. They really liked it and wanted to get started right away. Since we haven't met, and I know how strongly they view their relationship with you, I wanted to reach out and introduce myself, share our approach, and see what insights and advice you might want to share. I want to do a really good job for them and I really believe in working as a team. It's one of our core principles as CEPAs. As the team leader, I realize the importance of getting everyone's input and points of view.

CPA: Team leader? What do you mean by that?

Chris: One of the roles of a Value Advisor is to help coordinate all the resources that are needed to successful go through the process. For the other advisors on the team, I help them get engaged and help them resolve issues.

CPA: Hmmm, I thought that's what I did.

And there you have it. Off to a great start—not! No offense intended to CPAs, but the less progressive ones can be the worst about having control issues. As a side note to the owners reading this book: this is why, if possible, you want to have as many CEPAs on the team as possible. I am not claiming all CEPAs are perfect. But I can tell you that CEPAs have been educated and credentialed on the importance of working in teams. As the owner and leader of the team, it would be wise for you to meet with your advisor team and (1) explain to them the role of the CEPA, (2) state that the CEPA is not a threat, and (3) communicate that the CEPA will enhance everyone's role in the process. This is helpful when it comes directly from you.

One of the biggest frustrations I hear from owners is "my advisors don’t work as a team. My CPA says one thing, my attorney another, and my financial planner something else. I don’t know who to believe. They all think they know better than me and they can’t seem to get on the same page. I find the whole thing extremely frustrating. All I see are big dollar signs for their services. If they can’t get on the same page, how are they supposed to help me?”

Instead of taking action and demanding this change, many of you stick your head in the sand. One of the big problems, historically, for many owners is the limited ability to measure the impact of all these fees: What's the ROI?

It can be difficult to measure the value-add of advisors. Using value as the measurement provides a baseline for the entire team, including the family, management, and employees. If you use the value of the business and an integrated project plan that synchronizes these activities with the creation of value, you will be much more open to the idea of using outside advisors. In many cases, advisors are their own worst enemy because they don’t work together on a common framework. Instead, they compete with each other for a percentage of the money you are reluctantly willing to spend on professional services.

At the beginning of your value growth effort, hold a team meeting with your core advisors after completing the Triggering Event to review the results of the personal, financial, and business assessments and correlation to value to solicit input and ideas. Doing this is usually enough to calm everyone down. And do the same thing with your board of advisors—or even better, bring them all in one night after work and make the Triggering Event deliverable the focal point of your next board meeting. After all, it will become the basis for measuring your success going forward. Shouldn’t all your primary stakeholders and key advisors be given the opportunity to understand where we are and where we intend to go? They are all here for the single purpose of helping you be successful. Plus, many of them depend on your success.

All advisors should be reviewed periodically to ensure their services are relevant and contributing to the increasing value of your business. Sometimes the business outgrows the advisors that were relevant in the past. You may still have the business attorney from when you started the business and she may still be giving you solid business advice. But if you have decided to sell your business, you will need an attorney who understands mergers and acquisitions. Your best buddy from grade school might be managing your investment portfolio because you trust him, but is he best suited to guide you in harvesting the value of the business and managing that value, often five times your present net worth?

## THE CORE TEAM

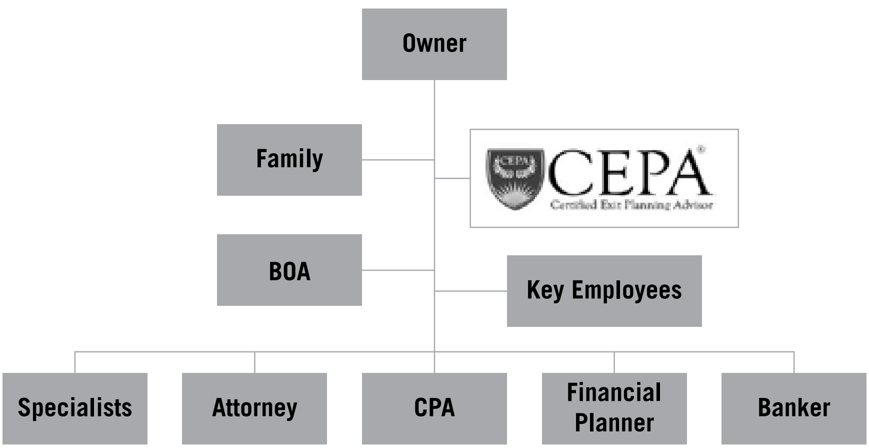


**Exhibit FF: Exit Planning Ecosystem**

Your core team should include your attorney, CPA, financial planner, banker, and Value Advisor (who should hold the CEPA credential). In fact, the more CEPAs, the better. In addition, you should have a board of advisors, or perhaps a board of directors, and should consider a family council and/or an employee/management council as members of the core team. This is even more important if you are considering a family, management, or employee transition option. Beyond that, all kinds of different specialists may be required depending on which gate of Value Acceleration you are in.

For now, let's explore the teams that you need. Your **core team** will be with you all the way through.

## FINANCIAL PLANNER OR WEALTH MANAGER

Your financial planner or wealth manager is a critical pick. Yet, this pick is often overlooked and underestimated. So choose your financial planner or wealth manager carefully. I like to get a financial planner involved right from the beginning, for all the financial reasons I have noted elsewhere in this book. We need to get busy building a portfolio outside the business and looking at getting the right tax, estate, and insurance planning in place. These strategies can take years to fully implement—often three to seven, in fact—so we need to get started with these right away if they are missing.

Beyond that, the financial planner or wealth manager (I am implying the same role, although they are not the same thing) is the person who can tell me what kind of position the owner and owner's family are in personally. Are they financially in good shape outside the business? Do they need the income from the business? What would happen if they were to lose this income, die, become disabled, or become unable to work anymore? What if there was a divorce that would force them to split up the assets? If they have a business partner, what if there's a falling out? What if they were to lose their largest customer or a key employee, or face a significant environmental, safety, or legal issue? How much do they need to support their lifestyle? What are their spending habits like? Are there any special-needs children we have to think about? Are there health issues we need to plan for? Are there seniors in the family that they may need to support with assisted living, health care, or home health care? What are their children's educational requirements? Have they been planned for? What is their risk profile? And on and on.

The financial planner will ask these questions and provide alternatives and answers. These answers are vital to the rest of the team. We don't want to be recommending the owner invest in the business, taking on more leverage and risk, if they have not done the basic things necessary to protect what they already have—especially if there are special needs outside the business. And once this is all said and done and you exit the business, everyone else goes away except the financial planner. Maybe the attorney hangs around for some estate planning or small legal matters you might need. But you are going to rely on the financial planner to manage your nest egg once you leave the business. The rest of us will be on to the next assignment helping someone else identify, protect, build, harvest, and manage their wealth.

## ATTORNEY

The best attorneys are business advisors first, like mine, Hal Maxfield of Cavitch, Familo, & Durkin. Your attorney is not just there to bail you out of problems, intimidate rogue employees and people who want sue you, challenge other board members, and resolve family disputes. Your attorney is, hopefully, someone who has worked in dozens, if not hundreds, of family-owned businesses. You need to allow your attorney to really to get under the hood with you and understand your core business operations and personal aspirations. A good attorney will not know everything you need. But they will know who to call and are likely to have the specialist, be that an estate planner, litigator, or pension plan specialist, that you will need on this journey.

And please understand, they are not God. Everything they say is not always the definitive or the right call. It may be legally correct, but it may not be best business advice considering the entire picture. No offense intended to attorneys. I have many friends who are attorneys. We have three attorneys in my immediate family (and that's plenty). I love them and we all need them. But they are not all-knowing. There are attorneys who get things done and attorneys who will never allow you to get anything done. Find one who really understands business. Take their advice. But make your own decisions.

## CPA

A CPA who is not afraid to lose your business is absolutely essential. I mention not being afraid to lose your business for a reason. Too many CPAs do not want you to exit, as they are afraid they will lose you as a customer who provides a very valuable recurring revenue stream to them. Today, this is changing as progressive firms like Skoda Minotti, headquartered in Cleveland, realize that exit planning and value acceleration will provide a new revenue stream for them and it is their duty to have your best interest at heart. The CPA industry is consolidating. One reason is that the CPA industry is facing what all owners are facing: aging Baby Boomers who are looking at retirement.

The CPA holds the gold medal for advisor status with business owners. This person is the most trusted advisor. In the EPI *State of Owner Readiness Survey,* we asked business owners who was their most trusted advisor. The CPA came out twice as high as the second runner up. And who do you think was runner up, as the second most trusted advisor? The spouse. That's right. In our survey, your CPA was trusted twice as much as your spouse. Now if that isn't an advisor gold medal, I'm not sure what is.

Your CPA will be involved in assessing and valuing the business. They will help you clean up (if needed) and maintain your financial records. They may help you with project planning and execution. They are involved in every stage of value creation. Many firms today offer far more than just traditional CPA-type accounting work. Many have become services clearing houses with the ability to offer an array of services including financial planning, insurance, pension planning, HR, marketing, IT, and (you guessed it) exit planning.

I believe the CPA firms are the farthest along in developing their exit planning services. At EPI, they make up a third of our entire membership base and represent some of our greatest leaders. No doubt, they can be too technical sometimes, but they do have arguably the best grasp of the tax numbers, combined with good background and training to help you succeed with exit planning.

## THE BANKER

When my son started his first business (which he later successfully sold to a strategic buyer at the age of 24), my father gave him this advice: "As a businessman, your most important relationship is with your banker."

Most owners don't think about the banker when they think of exiting. Part of the problem is that many bankers do not develop a relationship with the owner outside of their banking needs. They also are subject to heavy regulation, which limits the types of services they can provide you. However, one of the questions we ask in our business assessment is: How strong is your relationship with your bank?

Surprisingly, many owners rate this relationship low. They only go to the bank when they need money or when they have to explain a variance to the covenants they agreed to when they borrowed money from the bank.

This is really a missed opportunity. The owner should try to talk to their banker monthly, keeping the banker informed of how the business is doing, good or bad; sharing his aspirations with the banker; and letting the banker take a look at the numbers.

The banker should absolutely be involved in your exit plan. For one, if you, your children, employees, management, partner, or an outside buyer need money to finance your exit, your existing banker is likely to be the first one to step up, assuming you have kept him or her abreast of your plan. They know the business and its quirks, positive and negative. They don't want to lose that business. They are, after all, in the business of lending money. If they are kept apprised and are permitted to provide you with some advice to position the business and your successor to be in a better position to secure the financing you need to execute your succession plan, they are more likely to back you.

## FAMILY

Certain family members should be part of your core team, such as your spouse and some of the children. Some owners will set up a family council which acts similar to a business board of advisors. A family council can help manage the collisions between the business and family dynamics discussed earlier.

As Richard Jackim and Peter Christman wrote in *The $10 Trillion Opportunity,* "…a family council protects the growth, development, and welfare of the family itself…it provides family members with a regular structured forum to communicate, voice concerns, have input, and participate in determining how to deal with business issues…with this structure, the family does not feel obliged to pack the corporate board with family members." I recommend that at least one family member act as a liaison to the board of advisors.

## BOARD OF ADVISORS

Some companies, depending on their structure, are required to have a board of directors. The board of directors does not necessarily perform the same role as a board of advisors. If set up correctly, the board of advisors will provide the owner and family members with valuable advice from individuals with years of experience of working with other businesses, both corporate and family. They can help you sort out and vet succession candidates, including possible family members; and recruit, motivate, retain, and evolve talent. They will help provide oversight of your Master Plan, and most of all, hold you, the owner, accountable.

One of the common owner problems is that you are not accountable to anyone. You are at the very top. Inside employees and management are squeamish to tell you what you need to hear. Even long-time advisors awkwardly hesitate when telling you what you need to hear, for fear of losing you as a client.

As a board member and mentor to many children who work in their father's or mother's business, I can tell you that sometimes these family members need help communicating with (and managing) Mom and Dad. They fear saying what they want and need to say to you, out of respect, and would prefer to avoid dysfunction in the family. A solid board of advisors can provide a mechanism for brutal honesty and accountability.

There are many other roles an outside board of advisors can fill. Below is a sample list of these pulled from *The $10 Trillion Opportunity:*

- Reviewing financial statements and audits
- Reviewing corporate mission and strategy
- Reviewing and approving budgets

- Monitoring business performance
- Monitoring business goals
- Making recommendations regarding major capital expenditures
- Assessing organizational structure and policies
- Approving mergers and acquisitions
- Approving major debt transactions

Establishing or assessing the need for an outside board of advisors is usually one of the first things you will do in the first 90-day cycle of Value Acceleration (during the Prepare Stage in Gate Two).

## KEY EMPLOYEES

Sometimes putting key employees on your core team is appropriate, especially if you have already designated a successor. Giving them the opportunity to interact with the rest of your core team is a great way to vet them and teach them what it's like to be at the helm of the ship. It also allows them to express their points of view on strategic matters and own the execution of the plan. And it reassures and builds confidence with all the other stakeholders.

## SECONDARY TEAM MEMBERS AND STAKEHOLDERS

As if your core team members were not enough, many other specialists will need to interact with your core team through the process. You may need functional specialists such as customer service, marketing, manufacturing, operations, distribution, finance, legal, HR, and accounting. When considering options, you will need to interact with outside option specialists like investment bankers and M&A intermediaries, private equity and family offices; and inside transition specialists including ESOP specialist, family transition specialists, and attorneys who are experienced in management and partner buy-outs. You may need to consult with specific lenders who provide capital funding and mezzanine lending.

You shouldn't neglect other stakeholders like customers, suppliers, employees, and the local community—all of whom contribute and depend on your success.

## THE ROLE OF THE "VALUE ADVISOR"

EPI has defined the role of your team leader, or quarterback, as the Value Advisor™. The Value Advisor is a trusted advisor—one of their jobs is to watch your back and help you manage all these relationships, all of which are critical components to your success.

I chose the phrase *Value Advisor* because this person's primary objective is to help you grow value and unlock the wealth trapped in your business. The official Value Advisor is a new position in the industry. They typically have a background as a CPA, financial planner, or management consultant, or frankly, former business owner, because they need to understand the game of business, its processes and functions, and the numbers involved. But again, let's be clear, this is a separate role from those primary specialties. For example, you shouldn't hold the roles of Value Advisor *and* CPA at the same time. These are separate and distinct responsibilities.

This is why the fees are separate and incremental. The key justification for the incremental fees is the accelerated value and operating income that results from the implementation of the Value Advisor's projects and their structured, collaborative role in helping you manage these vital relationships.

Many think of the role of the Value Advisor as the quarterback of the stakeholder team. Just like on a football field, none of the other players on the offense "report" to the quarterback. But when the quarterback calls the play, everyone on that field has a role and job to do. The better they synchronize their efforts, the more effective they will be. Sometimes they get smashed. However, if you have the right people in the right roles, you usually score more often than the other guy.

Often, the success of the team is dependent on the strength of the quarterback. Just look at the success of the New England Patriots with Tom Brady or the Denver Broncos with Peyton Manning. Although quarterbacks, at least the effective ones, are able to call audibles, they follow and execute a game plan. They are often involved in developing that game plan. However, the most effective teams are able to adjust their execution during the game to exploit weaknesses and opportunities presented by the other team or offset what the other team has figured out about their game plan.

The quarterback of your stakeholder team is no different. You need someone to lead. As the owner, you certainly don't have the time and, frankly, you don't have the experience. You need a playbook and game plan, which are developed in Gate One. You execute your plan in Gate Two. You recalibrate during the game every 90 days to execute more effectively. You benefit in the end in Gate Three, either accelerating to the championship or exiting and entering the business hall of fame.

## WHAT DOES A VALUE ADVISOR DO?

An easy way to articulate the role of a Value Advisor is to think of them as a project manager. They are managing the project of unlocking your business wealth by helping you identify, protect, build, harvest, and manage the value of your business. The Value Advisor will:

- Assess your personal, financial, and business situation and correlate this to the value of your business.
- Develop a scorecard and be able to quantitatively and qualitatively measure the impact from the implementation of personal, financial, and business actions which are driving up the value of the business.
- Develop a plan with sequential steps and milestones and identify the critical path.
- Define the deliverables to be produced at each milestone and gate.
- Solicit help and input from others on the team.
- Establish communication protocols.
- Facilitate communication, resolve issues, and hold people accountable for deliverables.
- Keep things on track and on budget.

I think it was all of the project management work I did over the years implementing systems and processes and working as a true change agent that really prepared me for my Value Advisor role and to be the leader of the stakeholder team. At Price Waterhouse, I constantly faced the challenge of selling the role of the project manager to executives.

"What do they actually do?" the executives would ask. I would ask the executive, "How badly do you want to get this done?" The executive would say, "It's paramount—we need to make sure, given all the investment and time we are going to spend, that it gets done."

"Well, then, hiring a project manager to ensure that happens is the difference between getting it done and not getting it done. You need a specialist on the team who understands how to get things done. That's what the project manager does. You need to create a line item in your budget for this and think of it as part of the overall cost of the project and return on investment."

The stakes were often very high. We were implementing big, expensive, culture-changing, multi-year projects for these companies. Is your exit any different? Nope. An exit strategy is a big, expensive, culture- changing, multi-year project and it requires a seasoned and credentialed leader to get it done right.

Most of the time, the Value Advisor role is vacant. If it is filled, it's often filled with someone who does not really understand the role of a being project manager or the holistic approach you have learned in this book. That's doing you a disservice and creates more issues than it resolves. It requires you to spend more money than you should. And circling all the way back, I believe that is a big reason you hate consultants.

The Value Advisor is the most qualified advisor to fulfill this missing role and takes that monkey off your back. The only way to move toward becoming a credentialed Value Advisor is to start by getting your CEPA credential from EPI.

## WHAT SKILLS DOES A VALUE ADVISOR NEED TO BE EFFECTIVE?

A Value Advisor is a change agent that aligns the Three Legs of the Stool. In addition to project management skills, Value Advisors need to demonstrate empathetic understanding of business ownership. They need to be able to reach the owner personally. They need to be able to dissect and analyze financial statements and the financial, cultural, and personal consequences of both strategic direction and daily decisions. Skills in change management and collaboration are very important. Knowledge of who and when to bring someone in and who to use is important. The

Value Advisor makes sure the process you use to get things done is fast and flexible so that you can respond quickly when the unexpected happens. They also need to be a teacher. They will not only catch fish for you, they will teach your team how to fish so they can do it themselves.

## HOW MUCH TIME WILL YOU NEED TO SPEND ON YOUR WALK TO DESTINY?

Cutting through the fat, I've outlined what your investment could look like when taking on Value Acceleration:

**Exhibit GG: Value Acceleration Time Investment**

| | | Personal | Business | Total |
|---|---|---|---|---|
| Mid-Month 1:1 Check-In Workshops | 12 mid-months, 2 hours x 5 key people | 120 | 120 | 240 |
| Monthly Accountability Workshops | 2 per quarter w/ teams, assume 3 hours | 24 | 24 | 48 |
| Quarterly Renewal Workshops | Assume full day, 1 per quarter | 32 | 32 | 64 |
| Annual Retreat | 1 day annually | 8 | 8 | 16 |
| Monthly Meeting w/ Value Advisor | 12 @ 2 hours | | | 24 |
| Education | 2 events. 2-3 days in duration annually | | | 48 |
| Total Time Dedicated to Value Acceleration | | | | 440 |
| Available Hours | Assuming 2,500 hours worked annually | | | 2,500 |
| Percent of available time dedicated to Value Acceleration | | | | 18% |

Once you have the system rolling, you will need to spend less than 20% of your time on Value Acceleration. This seems to be a reasonable amount of time to spend managing your most significant financial asset. I have budgeted 12 Mid-Month 1:1 Check-In sessions, personal and business, with each of your five core team members. This could be less, but it assumes you have set five personal and five business actions each quarter.

You will have a Monthly Accountability Team Workshop for the first two months of each quarter. The third month of each quarter, you will hold a Quarterly Renewal Workshop. I have also budgeted one day per year for an annual retreat for business and personal, which may include your budgeting process.

To ensure you stay on the same page, you should plan to meet monthly, one-on-one, with your Value Advisor. Work into your budget at least two educational events, such as attending a conference, an Owners Forum, or a Roundtable series in your area. Plan to spend six days per year on education. This totals around 440 hours per year. Assuming you are working at least 2,500 hours per year, or about 50 hours per week, this means you will spend less than 20% of your time managing your personal and business affairs. Again, seems pretty reasonable to me.

## PUBLIC SPEAKING

*Walking to Destiny* provides a roadmap and concepts which, when adopted, can increase readiness and attractiveness as business owners approach their exit. Chris Snider delivers keynote speeches, trainings, and workshops surrounding the topics of Master Planning and the Three Legs of the Stool, the Four C's, the Five Stages of Value Maturity, and Relentless Execution. This education is for:

- Top-tier professional advisors and consultants dedicated to helping their clients successfully grow and exit their businesses
- Legal, asset management, and accounting firms committed to successful wealth transfers
- Business owners looking to educate their executives and staff on how to grow value in the business and think like owners
- Community leaders wanting to educate their local business owner market on how to successfully transition their businesses
- Industry associations dedicated to preparing their members for succession
- Financial/professional associations looking to educate their members on how to perform exit planning services
- Entrepreneurs wanting to use exit strategy as a business strategy and stage their company for rapid growth and high market value

For speaking fees and availability, please contact Brooke Norman at (216) 712-4244 or BNorman@Exit-Planning-Institute.org.

Chris Snider is a frequent speaker in Chicago, Cleveland, New York City, San Francisco, San Diego, Las Vegas, Phoenix, Dallas, South Florida, St. Louis, Milwaukee, Atlanta, Los Angeles, and New Orleans. Discounts on travel are available for back-to-back bookings.

## VOICE OF THE INDUSTRY

Christopher M. Snider, CEPA, CEO and president of the Exit Planning Institute, creator of the Value Acceleration Methodology™, and managing partner of Snider Premier Growth, is recognized as a thought leader and trendsetter in the field of value acceleration and exit planning. With a message that resonates with entrepreneurs across the country, Chris is a

sought-after speaker for many major companies and trade industries, and the associated organizations that are dedicated to serving the transition and growth needs of business owners. He built his career as a key value growth integrator for major companies, including The Sherwin Williams Company, FedEx Logistics, Nike, Dell, and Textron. Finding passion in changing middle market business owners' lives through rapid growth projects, Chris emerged a game-changer, noting a milestone project with a family-owned private company that he helped grow from $90 million to over $240 million in three years and successfully selling to a multinational strategic buyer. Now with a wealth of experience and a proven value acceleration system, Chris has established a family investment company with his son, with ownership stakes in eight lower middle market businesses.

## FOR BUSINESS OWNERS. BY A BUSINESS OWNER.

*Walking to Destiny* is not only your essential resource to understand what makes your business attractive and ready for transition; it is a business owner's handbook to learn how to rapidly grow value and ultimately unlock the personal wealth trapped in your most significant financial asset: *your business.*

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