

WALKING TO DESTINY

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

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CHAPTER FOUR

Changing Your Paradigm

Many successful businesses adopt a focused vision for who they are, who they serve, and what they are ultimately doing. I call it the organizing principle. It should be simple and easy to understand. Your staff should know it. This simple truth sits at the core of everything you do, from daily operations to strategic planning.

For my flagship company, the Exit Planning Institute (EPI), our organizing principle is “Change the Outcome.” Every day, I challenge my team (and myself) to consider how the day's accomplishments changed the outcome for those we serve:

Baby Boomer business owners. And as I've become more engaged and passionate about the work we do at EPI, it has become clear that exit planning is a misunderstood discipline. Despite the major gains and benefits you glean in value growth, exit planning has been underutilized by owners like you.

Centerfield

John Fogerty

Well, beat the drum and hold the phone

The sun came out today

We're born again, there's new grass on the field

A-roundin' third and headed for home

It's a brown-eyed handsome man

Anyone can understand the way I feel

Oh, put me in coach, I'm ready to play today

Put me in coach, I'm ready to play today

Look at me, I can be, Centerfield

A paradigm shift is needed. My belief is that with awareness and education, you change your perception of “the exit” itself. This one paradigm shift will change your fear of the exit to an embrace of the future. And as others like you change their mindsets, the new worldview of exit planning could improve the rate of businesses that successfully transition from two out of ten to eight out of ten. It could take the 75% dissatisfied with their post-life to 75% thriving and being happy in their third act. In the process of changing your paradigm, you have a real opportunity to own your destiny and change your outcome.

HOW DO YOU DEFINE EXIT PLANNING?

To redefine the paradigm of what exit planning is, we should start with a sense of what it has been. Let’s look at some recent definitions of exit planning.

Richard Jackim, the co-author of *The \$10 Trillion Opportunity* and co-founder of EPI, defines exit planning this way: An exit plan asks and answers all the business, personal, financial, legal, and tax questions involved in transitioning a privately owned business. This plan includes contingencies for illness, burnout, divorce, and death. Its purpose is to maximize the value of the business at the time of exit, minimize taxes, and ensure the owner is able to accomplish all his or her personal and financial goals in the process. There’s no denying this is an accurate definition of what an exit plan addresses. But is exit planning a



Exhibit D

“plan?” **No.** Exit planning is not like a valuation report. You don’t find success in exit planning by creating a printable document that captures the static nature of your business. Exit planning is dynamic. That said, Rich hits on some important points. Let’s read on.

Peter Christman, the other co-founder of EPI and author of *The Master Plan*, has one of the best conceptual definitions of exit planning. It has become the basis for the core principles on which EPI’s curriculum is built. According to Pete, exit planning is achieved through developing a business transition plan that addresses three things: (1) maximizing the value of your business, (2) ensuring you are personally and financially prepared, and (3) ensuring you have planned for the third act of your life. We refer to this concept as the “three legs of the stool.”

Think about it. If you have a three-legged stool, what happens if each leg isn’t equal? What if one leg is missing altogether? The point is, all three legs are equally important to success. Pete is absolutely right in emphasizing the importance of balance in exit planning. If you focus solely on business and financial factors (ignoring your personal needs), you are likely to be one of the 75% “dissatisfied” with their exit. Master Planning is an important concept (which we will explore more in Chapter 5), but here’s the question: Is exit planning a “concept?” **No.** Exit planning is not an abstract idea or notion existing at 30,000 feet. Exit planning touches the ground.

Patrick Ungashick, the author of *Dance in the End Zone: The Business Owner’s Exit Planning Playbook*, defines exit planning as “the conscious effort to grow your business in a manner that efficiently converts ownership into personal financial freedom and peace of mind.” I like this definition because it plainly states the output exit planning provides: “freedom and peace of mind.” That sounds good to me. You have spent years feeling the responsibility and sacrifice ownership requires (and you feel it 24 hours a day). You would be happy to convert that effort into some rest and relaxation in your third act. But again, I ask, is exit planning a “conscious

effort?” **No.** It takes effort, but exit planning is not the effort itself.

John Brown, the founder of BEI and author of *How to Run Your Business So You Can Leave It In Style*, expands on the definitions I’ve outlined here by describing exit planning as “an established process that creates a written roadmap or Exit Plan, involving efforts of several professions facilitated and led by an exit planning advisor.” John hits two big nails on the head. Exit planning, like any multi-step project, should involve a process, and it involves the overlap of several professions to achieve a well-rounded, methodical exit. So is exit planning a “process?” **No.** The collaboration of teams using a proven process is an absolute necessity in exit planning. But that alone is not exit planning.

SO WHAT IS EXIT PLANNING?

Exit planning is simply good business strategy. It is your value management system that makes the timing of your exit irrelevant. Exit planning is laser-focused on what you can do right now to grow the value of the business and drive income. Forget the future. Focus on today. By focusing your approach on building a business with characteristics that drive value and integrating your personal and financial objectives into it now, you will have lots of options to exit on your timeline and terms.

*Exit planning combines the **plan, concept, effort, and process** into a clear, simple **strategy** to build a business that is transferable through strong human, structural, customer, and social capital. The future of you, your family, and your business are addressed by exit planning through creating value today.*

Exit planning is about building, harvesting, and preserving family wealth for generations to come. Ditch the current paradigm, and make the shift. You can evolve by integrating best-in-class business practices into your daily operations. The key is managing your enterprise value to drive positive outcomes, including a better lifestyle. A well-planned business succession program efficiently transfers business value to your personal legacy, while honoring the needs of your stakeholders and creating a developed vision for your third act.

Exit planning is easy to understand, but it will not necessarily be easy to accomplish. You have to be willing to change. Value acceleration actions require tireless commitment and relentless execution. It can be hard to go this path alone. Collaboration is your ally. Working as a team uncomplicates the process and improves your exit planning experience. You are at the center of the process, flanked by a seasoned multi-disciplinary team to support your success.

CHANGE YOUR PARADIGM

You know that successful business transition rates are very poor; 70 to 80% fail. But that also means that 20 to 30% succeed. Are there specific things that those owners did to set themselves up for a successful transition? What can you learn from their success? Do you have the motivation to emulate and repeat these success patterns?

Changing outcomes for business owners like you and your families starts with changing your point of view—*your paradigm*—about exit planning.

1. **Paradigm shift is required.** Exit planning is simply good business strategy integrated with your personal and financial goals and objectives.

2. **Business is personal.** Personal financial goals and personal aspirations should be driving the business, not the other way around. There will be times when you have conflicting value systems. Owning a business is personal.
3. **Value is the primary long-term goal**—not income. This sounds like a subtle play on words, but in reality, this is a significant paradigm shift.
4. **Focus on the present, not the future.** Much of what has been written about exit planning focuses on the endgame. But it isn't accomplished by focusing too far down the road. Your successful exit is based on what you do now; every day counts. There is no reason you can't benefit today and in the future. You can do both.

Exhibit E: Owner Paradigm Shift

From	>	To
"Exclusive" Point of View	>	"Inclusive" Point of View
Future	>	Present
Business	>	Personal, Financial, and Business
Income	>	Value
Owner	>	Stakeholders
Tangible Assets	>	Intangible Assets
Tax Number	>	Real Number
Project	>	Process
Plans	>	Action
Individuals	>	Team
VERSUS	>	AND

5. **Manage your five stages of value creation.** Value acceleration is achieved by focusing on the multiple, which is based on the strength of your intellectual capital (your intangible assets).
6. **Your intangible assets must be transferable.** Your business value can only be harvested if your intellectual capital can be passed to a buyer. You need to understand the difference between attractiveness and readiness.
7. **Adopt a process.** Great planning makes execution imperatives clear. There are sequential steps that should be respected to keep you moving in the right direction. Taking the time to get organized before you execute will help determine what you should be doing and in what order. It will ensure you are working on the right things.
8. **You must execute.** A plan helps you prioritize, organize, and focus. But without the will to execute, a plan will not create action. I would also argue that much of what is written focuses on what you should do. But “how” is a question that often remains unanswered. Value Acceleration is the way to execute and deliver.
9. **Measure your results.** You need a scorecard and a management system that measure and reinforce your focus on value growth. Your value management system needs to be flexible and should be frequently (and quickly) recalibrated. Metrics offer a systematic approach to accomplish this.
10. **Involve your team.** It takes a diverse team to be successful. You can’t do it alone. And there are many stakeholders depending on your success.
11. **Invest in your success.** You will need to spend some money and time to be successful. Accept that. Back up your commitment with investments in creating value. Bringing in the necessary expertise will get you over the hump and keep you focused.

Investment in exit planning is justifiable with growth of enterprise value as the goal. It will pay dividends far exceeding the costs. Put it in your budget.

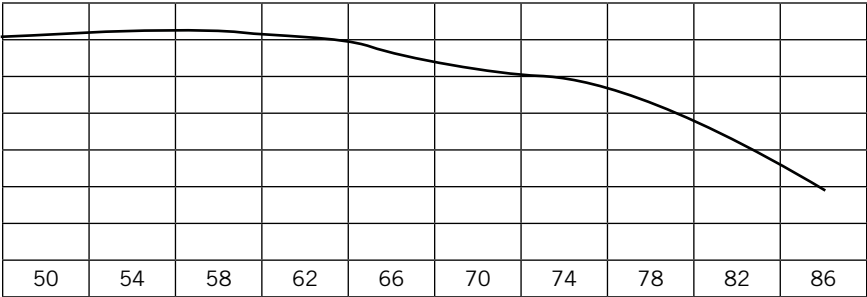
Your business is your most precious, and often your largest, financial asset by far. I could argue that it is likely much more than that. For many of us, it's the love of our life. Don't let it perish after you are gone. It's a seed that will be cherished and will bring happiness and prosperity to all those who follow you. Step up to that responsibility.

MAKING THE TIMING IRRELEVANT

Let's determine if there is a "right time" for you to exit. Look at the charts that follow. Bear in mind, my intention is not for these charts to be viewed or relied on from a technical standpoint. They simply illustrate an attempt to "time the market" as it relates to transitioning your business.

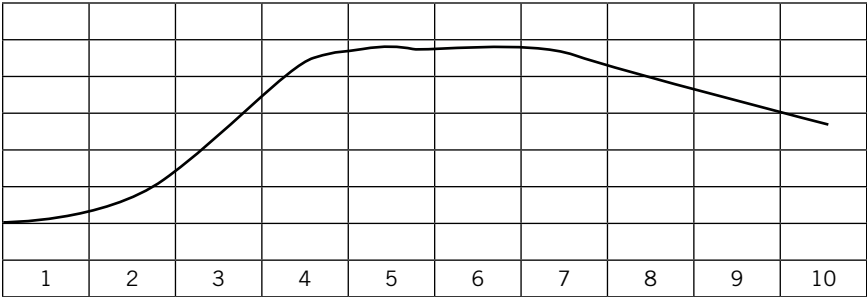
The first is a Personal Timing Chart that implies that as you age, your enthusiasm, passion, and energy levels start to decline. This decline begins around the age of 62.

Exhibit F: Personal Timing Chart



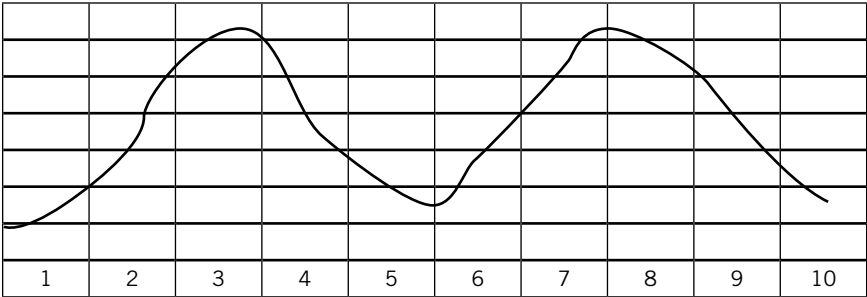
Next comes the Business Life Cycle Chart, just like you saw in Economics 101. Early in your business’s life, it grew at a rapid pace. Eventually, that growth slows and flattens out. Then begins the slow decline. You can change the life cycle by introducing new products and services, expanding into new markets, and so on.

Exhibit G: Business Life Cycle Chart



The Private Capital Market Timing Chart represents the up and down cycles of the private capital market.

Exhibit H: Private Capital Market Timing Chart



Look at the three charts. What age do you think would be best for you to exit? Maybe between 68 and 72 when you are tired and your business is in decline, but the market is on its way up? Or you might say between 72 and 76. You are at the peak of the second market cycle, plus you just rode

that wave of growth right before the market declines. But wait, you'd be 76. Is that really better, given the circumstances, than you exiting at age 58 when your business is experiencing its greatest growth and the market is nearing its peak in the first cycle?

Let's be honest. How often does market timing really work? Rarely. Is there a right time to exit? **No.** There are good times and bad times presented by the private capital market. For example, when I wrote this book, it was one of the best times in history to maximize the value of your business by selling it to a strategic buyer, a private equity firm, or a family office. In fact, as I write, many industries are producing the highest multiple ever. But that doesn't mean it's the right time for you. And no timing predictions can prepare your business for the unplanned. You don't know when you are going to run out of gas. You might get hit with a health or family issue that takes your enthusiasm and passion for the business down rapidly. You might experience an unexpected interruption of your business that changes the course of its life cycle. You could lose or win a major customer. There could be a market innovation that marginalizes your core product or service. You could lose a key employee. Who knows? The point is that forecasting the private capital market is likely your *worst* strategy for harvesting your wealth.

Luck and predictions aside, it's nearly impossible for an unprepared owner to time the market. Do you want to rapidly grow your business value and unlock your personal wealth? Then you need to focus on building an attractive business now, because a good business will sell in good times or bad. Build value into your business every day through exit planning; evaluate your plans, personal and business; assess your ability to execute; and ask yourself every 90 days: Do I want to keep growing or do I want to sell? That you can control. And that will make your exit timing irrelevant.

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 multi-national 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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