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CERTIFIED EXIT PLANNING ADVISOR (CEPA®)

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A Conversation with Doug Cook of Headwaters Strategic Succession Consulting, LLC

Excerpts of this article have been taken from an interview Doug gave for AM 1240 WJON in St. Cloud, MN.

Doug Cook

Question: Could you please tell us a little about what you do?

Doug: I am a Certified Exit Planning Advisor (CEPA®), which means I help business owners prepare for transfer of their company to family or a new owner. Business owners may get a lot of advice about business succession and are generally tasked with somehow arranging that information into a viable plan without ever having done it before. This can be confusing. I use a five-step process to answer all necessary questions, while the owner remains focused on the business. Working together we can build greater business value and personal wealth for owners.

Is it beneficial for every employer to have this even if they're just handing it down to the next generation?

Yes! The statistics are quite startling regarding the low number of businesses that are successful at transferring to the next generation. Unfortunately, assuming children can run the business because they have been around it all their life has proven to not be the best strategy. Continuity of the business, in this case, is even more important because of the note parents often extend to children at purchase. That note needs to be paid and to do that the business needs to remain profitable and viable well into the future.

Could an owner gradually transfer control to someone over several years and then leave the business? Is this a viable exit plan?

There are a number of ways an owner's future involvement might be negotiated and structured. Various buyers may want an owner's participation for several years, while others may want them to leave right away. Ideally, it is the owner who would decide this. The exit planning process, then, considers how the business itself can be set up to allow an owner the degree of participation they desire.

How hard is it for them to come up with a plan? Is it easy or are they hanging on to the last thread before saying goodbye?

Owners are usually very immersed in their business, especially if they founded it. They generally understand the importance of planning but are so wrapped up in day-to-day operations that effective planning never occurs. Because this is usually a once-in-a-lifetime event, determining the best plan while also running their business can become

overwhelming and is not the best use of an owner's time. It isn't that they are intentionally hanging on to the last thread, more like the ineffectiveness in planning creates indecision about what is best. In addition to providing direction on what makes their business more valuable to buyers, I serve as a quarterback, calling the plays to put an effective plan in place. I structure the plan, the owner focuses on growing their most valuable financial asset, their business.

What are the key elements people should know if they're looking at transitioning?

I'm frequently telling those who ask this question that it can be too late to start planning, but NEVER too early. Executing a business transition that considers and plans for accomplishing all that is in the owner's and their family's best interest takes time. So, start planning early. Going through a business sale can be a very stressful event and this is not the best time to make important decisions about the future. Successful planning helps owners consider

important decisions well in advance of an actual sale. This allows for a smoother, less stressful and more successful ownership transition.

I imagine seeing the business is up for sale can make employees jittery. Should an owner gather their employees and say, "I'm looking at my five-year window here. You might hear that the business is up for sale, but I want you to hear it from me first"?

That's a great question. Especially as an owner reaches retirement age, employees generally feel more secure knowing there is a plan, than not. It is good to communicate general intentions well in advance and let employees know the owner's vision for business continuity. However, disclosing information while a transaction is in the works can be risky to client relationships and jeopardize the sale. By and large, a business is worth more to the degree an owner can demonstrate the value employees add to the business. With early planning, owners can help develop employees with this goal in mind. This adds both value to the business and secures a better future for employees as well.

When someone is looking at setting an appointment with you, how long should they plan on meeting and how should they prepare?

When I do a first consultation, it will usually last 1 ½ to 2 hours. There is nothing to prepare for other than to share their vision and knowledge. Through our conversation, I will learn about the business and understand how I can best assist the owner with planning, and in building value in the company. After our meeting, I will submit a proposal for their review. Whether that proposal is accepted or not, the owner will come away understanding the next steps they need to take. I completely welcome an owner's engagement in understanding the process I use and the roles we each play. It is in this way we create the successful partnership required to accomplish our goal.

Are there other ways for owners to educate themselves about planning for the successful succession of their business?

Yes! There is a book I recommend titled, Walking to Destiny by Christopher Snyder. Chris is CEO of the Exit Planning Institute through which I earned my Certified Exit Planning Advisor designation. It provides an excellent overview not only of how to grow business value prior to a sale, but what to expect along the way. They can also subscribe to my new YouTube channel, @HeadwatersStrategicExit. There, my video series EXIT IN A MINUTE™ provides owners with short, educational content on how they can best prepare themselves and their business for a successful transition.

Doug has been a resident of St. Cloud, MN since 2012. He earned the designation of Certified Exit Planning Advisor from Exit Planning Institute after successfully navigating executive and ownership roles in companies undergoing acquisitions. As founder of Headwaters Strategic Succession Consulting, LLC, Doug utilizes his extensive succession planning experience to empower organizations towards achieving smooth transitions, with a strategic focus on maximizing current business value and future potential. Doug actively contributes to the business community as a board member of the St. Cloud Area Chamber of Commerce, where he is proud to serve as an advocate for local businesses and help foster economic growth. He and his wife Kiessa reside in South St. Cloud with their spirited rescue dog, Chukka, who came to them from a shelter in Mexico. Together Doug and Kiessa are primary caregivers to Kiessa's mother, Edie, who resides at Cherrywood Advanced Living.

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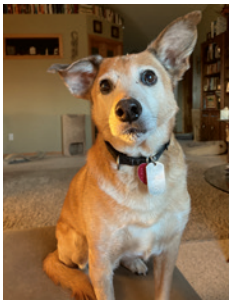

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