Association for Enterprise Growth

White Paper

BUILDING THE *RIGHT* ADVISORY TEAM

Critical Planning Steps and Requirements for Success

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It has never been more important to surround yourself with competent advisors. You might ask, why now and not in the past? Well now, compared to even 10 years ago, there are far more options to maximize the value of your company but it's not easy. The difference is not trivial – consider for a moment what it means to you if your company is worth 1x Revenue or 3x Revenue.

"CONSIDER FOR A MOMENT WHAT IT MEANS TO YOU IF YOUR COMPANY IS WORTH 1x REVENUE OR 3x REVENUE"

OK – so, unless you are the elite few, the 3x Revenue scenario requires the development of the right advisory team who will help you assess and prioritize company initiatives around value drivers that maximum business value within the context of your unique personal needs and goals. Here's the critical piece, given the complexity and diversity of market drivers and your unique personal factors, it is imperative that your advisory team consists of specialists who are assembled to achieve *your* unique combination of business and personal objectives. In short, there's no such thing as a standard plan or team, *but* there are processes you need to follow.

The foundation of sound planning and team creation is one that integrates capital-markets behavior (based on history and research-driven projections) with the your individual circumstances.

Where do you start? Well, you start by understanding where you are today . . .

Step 1: Personal & Business Objectives
Step 2: Company Assessment
Step 3: Prioritize Initiatives & Build Timeline
Step 4: What to avoid

step 1

PERSONAL & BUSINESS OBJECTIVES

Many owners of closely held businesses have spent a lifetime building their enterprises, creating a storehouse of value. Very often though, an owner gives little attention to personal objectives other than vague notions of family, security and discretionary time. However, personal objectives are the foundational bedrock of planning, serving as the navigational light for business objectives. So, the first step is setting concrete personal objectives which are grouped into the below categories.

"YOU CAN MAKE ANOTHER DOLLAR, BUT YOU CAN'T MAKE ANOTHER MINUTE"

- ALAN WEISS

- Work / Life Balance
- Personal Lifestyle Needs
- Family Security
- Charity Interests
- Legacy

Now for Business Objectives. It's very simple -- your primary business objectives are to achieve your personal goals. That may seem myopic but you will find, as you prioritize your personal goals, your business objectives will become far more strategic and, most times, aligned with employee interests involving business continuity, management bench, risk management and growth initiatives. Ultimately, in achieving your aligned personal and business objectives, enhancing business value is more than just increasing profits and cash flow.

"80-90% OF OWNER'S WEALTH IS TIED UP IN THEIR BUSINESS"

step 2 COMPANY ASSESSMENT

Now with your Personal Objectives in place or in process, it's time to dive into your business to identify the most valuable strategic initiatives that will enable you to achieve your goals. This is best achieved through a formal Company Assessment. Surprisingly, many of the most valuable initiatives you will uncover in this process will not involve common value enhancement strategies around growth, profitability or improving cash flow. Why? . . . because, enhancing the value of a business means transforming the business from an "average" to an "excellent" performer as compared to other companies in the same industry. This analysis involves all aspects of your business including personnel, facilities, process, brand and financial performance.

A reliable, market-based assessment[1] of your company requires a specialized (typically certified) professional. Often referred to as the "Quarterback", this professional typically serves as the manager of your advisory team, helping you assess, source and manage the specialty services you will require to achieve your objectives.

In short, a Company Assessment will provide: 1. The current market-based value of your company (e.g. sale to a 3rd party); 2. The intrinsic value of your company (e.g. the potential value of your company if it were an excellent performer as compared to its peers), and; 3. Possible Company initiatives ranked by importance to close the value gap between your company's current value and intrinsic value.

An assessment will typically review the following business value drivers:

Growth | Market Size | Market Share | Recurring Revenue | Barriers to Entry | Product Differentiation
Brand | Margins | Customer Diversification | Company Characteristics | Finances | Operations
Sales & Marketing | Customer Satisfaction | Senior Management | Human Resources | Legal | Innovation

[1]This process should not be confused with a business valuation completed for tax, credit or estate planning purposes.

step 3 PRIORITIZE INITIATIVES & BUILD TIMELINE

Prioritizing business initiatives is a combination of aligning personal and business objectives, return on investment and timeline. The rule of thumb on investment is to only invest in business initiatives that show a pro forma 10x return on investment. The below table provide a few simple examples.

Personal Objective	Business Initiative	ROI
Spend more time with family	Delegate responsibilities / add executive management	10x
Grow Net Worth	Sales & Marketing Process Improvement	10x
De-Risk Cash Flow	Create Buy / Sell funded by dedicated insurance policy	10x

"COORDINATION AMONG YOUR ADVISORY TEAM IS CRITICAL TO YOUR SUCCESS"

While a timeline may be adjusted to circumstances, typically the process of building and executing a plan is measured in years, not months. Your plan will outline your aligned personal and business objectives and highlight your unique requirements for specialized advisory services to accomplish critical initiatives (e.g. international tax, sales & marketing process improvement, estate plan involving charitable interest, etc.). Critically -- you should assemble your advisory team at the beginning of the execution stage even though some (or even most) of the advisory services will not be needed for months (even years) in the future. Coordination among the team, optimally organized by your Quarterback, is critical to your success.

step 4 WHAT TO AVOID

There are a few critical missteps to avoid:

1. Inaction. The personal and business benefits derived from planning and building an advisory team are likely unmatched by any other action you can take.
2. Bypass Proper Planning. Initiating specific initiatives without comprehensive planning is the equivalent of firing and then aiming.
3. Not working with Specialists. Today's market, regulatory, tax and legal environment is simply too complex for any one or even a few generalist advisors. You need to work with a team of specialists led by a qualified Quarterback who is trained in identifying and addressing the unique issues impacting owners of closely-held companies to optimally achieve your personal and business objectives.

CONCLUSION

It has never been more important to surround yourself with a team of specialist advisors. This critical process is best led by a specialist Quarterback who is experienced in aligning personal and business objectives, helping an owner assess the highest ROI initiatives and assemble and manage the right advisory team of specialists who, collectively on a coordinated basis, will allow an owner to achieve specific personal and business objectives.

TYPES OF SPECIALTY ADVISORS

- Quarterback / Business Advisor
- Personal Financial Planner
- Estate Planner
- Tax Specialist
- Executive Coach
- IT / Cyber Security
- CPA
- Valuation Firm
- Investment Banker
- Commercial Banker
- Insurance Specialist
- Wealth Manager
- Corporate Attorney
- Exit Planner
- Value Growth Specialist
- ESOP Specialist
- Real Estate