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*The proper use of an Advisory Council can increase both the profitability and the value of a company.*

Over the years, the Robbinex team has addressed the performance of various Clients' Businesses and has found the key to success has been teaming up with a group of experts with knowledge in areas not necessarily understood or familiar to the Business Owner.

#### Examples of Clients that have used an Advisory Council include:

- A manufacturer/distributor of specialized products with revenues of \$16 million with an EBITDA of \$4 million, utilized an Advisory Council consisting of 4 outside experts, who within one year, helped increase revenues by \$1 million and doubled the EBITDA to more than \$8.5 million;
- Assisted a service business with revenues of \$3.75 million, virtually breaking even, to grow revenues to \$11 million within 4 years, with an EBITDA of \$1.25 million; and
- Helped an auto dealership conglomerate with revenues of \$125 million, and zero profits grow revenues to \$135 million and profits of \$15 million, within 2 years.

It is interesting to note that a company has eight business fundamentals that need to be carefully aligned, in order for it to be most profitable. It is also interesting to note that most entrepreneurs are skilled in two or three of the eight fundamentals and lacking in the other five or six. For a business to be most efficient, the eight fundamentals need to be closely aligned. In large businesses, that simply means hiring competent people to head the various departments.

In smaller businesses it results in lower revenues and profits, which lowers the value of the business. This would indicate the Entrepreneur needs support/resources, beyond their natural skills to align the eight fundamentals.

[www.corporatevalue.net/](http://www.corporatevalue.net/)

Typically, Robbinex is retained to take 25 to 35 businesses to market per year, but upon completion of a Comprehensive Business Assessment (CBA), only 4 out of 10 are prepared to go to market. The balance are not ready for sale, without significant changes.

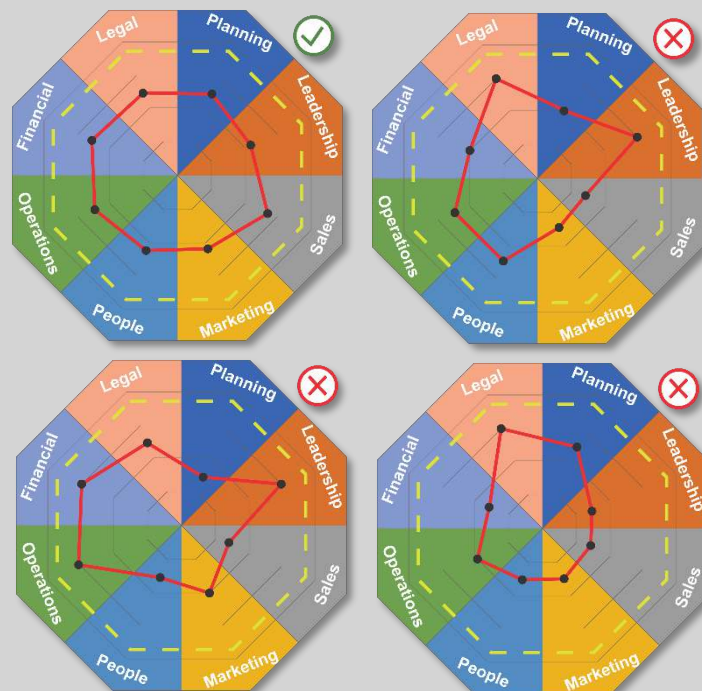
The composition of an Advisory Council should consist of the Business Owner along with three or four independent advisors with skills not possessed by the owner. The skills needed by the independent advisors will be revealed by an analysis of the 8 business fundamentals, in conjunction with the goals and objectives of the owner(s). The first meeting will be for the advisors to learn everything about the business, which could easily take 2 or 3 meetings of 3 to 4 hours each. Then the advisory council should meet for 1 to 1½ hours every two weeks and then monthly after the business plan is firmly established.

#### The multi-step process a Business Owner needs to take is straightforward:

1. Complete a Comprehensive Business Assessment (CBA);
2. Understanding the strengths and weaknesses of the business;
3. Determine the type of support that would best suit their needs;
4. Assemble an Advisory Council;
5. Develop a business plan with a realistic set of goals and objectives; and
6. Initiate the business plan and monitor its strengths and weaknesses.

#### The costs are reasonable and are subject to the size and needs of the business:

- The Comprehensive Business Assessment costs between \$8,000 and \$15,000; and
- The Advisory Council runs between \$2,000 and \$4,000 per month.



### A recent study by the BDC revealed a few interesting facts:

BDC asked Statistics Canada to analyze a sample of 3,902 BDC clients. It compared those with advisory boards with those that don't have boards but are similar in terms of size, industry, age, and region:

- Just 6% of Canadian small and medium-sized businesses have advisory boards.
- Businesses that do have them tend to be older and larger—most have been in business for 11 to 20 years, with 20 or more employees.
- Annual sales were 24% higher on average between 2001 and 2011 at businesses with an advisory board, compared to companies that didn't have an advisory board but have similar characteristics.
- Sales grew by 66.8% on average in the first three years after a company created an advisory board. This compares with 22.9% sales growth in the three years before the board was formed.
- Productivity increased by an average of 5.9% in the first three years after a board was formed compared with 3.2% in the previous three-year period.

"Once people understand the benefits, they become big fans," says Pierre Cl  roux, BDC's Chief Economist. "There are really practical, tangible benefits for the bottom line." BDC's research bears this out. The study shows that annual sales at businesses with an advisory board were 24% higher than those at companies without one, and productivity was 18% higher.

<https://www.bdc.ca/en/articles-tools/business-strategy-planning/manage-business/can-advisory-board-help-grow>

During the past three years, the team at Robbinex has created the "Robbinex Cooperative Network of Professionals" consisting of more than 80 specialists available to address Client needs. <https://www.robbinex.com/cooperativenetwork/>

### Businesses the Cooperative Network Associates have recently assisted include:

- A manufacturer with revenue of \$35 million, employing 125 lost their Human Resources Vice President to a head-hunter, and needed immediate assistance;
- Two brothers with an extraordinary complicated real estate portfolio needed a multi-faceted appraisal of the properties and businesses on the properties;
- A food manufacturing company planning to transfer the business to the next generation required assistance in four levels
  - Tax structuring
  - Acquisition and financing of real estate
  - Creating a working partnership with 3 children
  - Increasing revenues; and
- A \$75M service business with multiple partners required business valuation to deal with a divorce of one of the partners.

## Bottom Line

An Advisory Council comprised of external advisors who can provide you with advice allowing an external perspective to help with your business decisions. Surround yourself with people who have relevant experience and knowledge.

## About the Author



### Doug Robbins, President & Founder of Robbinex Inc.

Doug is an internationally renowned Canadian Business Intermediary and Business Broker. He is a seasoned businessman having completed more than 1,500 assignments relating to advising clients on Mergers and Acquisitions (M&A); valuations; transferring businesses to the next generation; partnership resolutions; refinancing; along with numerous other consulting activities.

Doug has always actively supported the M&A profession through investing significant time and energy by way of memberships, lecturing, and presenting workshops for numerous M&A organizations.

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