Presenter,

Welcome to:

Game Changing Advisory Boards

Presented by
Lighthouse Consulting Services, LLC

Featured Guest:
Ken Ude, Managing Director
The Board Group
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www.TheBoardGroup.com

Host:
Dana Borowka, MA
CEO, Lighthouse Consulting Services, LLC
Author of Cracking The Personality Code
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Discussion Outline

- Challenges to building sustainable value
  - What is sustainable value?
- Role of a professional advisory board
- Winning the sustainable value game
The Board Group

- Founded in 2011, by Bill Hawfield and John Zaepfel
- Authors of: Game-Changing Advisory Boards
- Experience with over 200 advisory boards
- Created over $2b in company value
Sustainable Value

The Quantifiable Trust that Investors have in a Company's Long-Term Profitability, Value and Success.

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Two Companies: Very Different Valuations

<table>
<thead>
<tr>
<th>Back Pack, Inc</th>
<th>Plane Parts, Inc</th>
</tr>
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<tbody>
<tr>
<td>$60 M in revenue</td>
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</tr>
<tr>
<td>$5 M in EBITDA</td>
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</tr>
<tr>
<td>No Debt</td>
<td>Debt $7 Million</td>
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<td>Growing 15%/year</td>
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<tr>
<td>Long customer connections</td>
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<tr>
<td>Large stable industry: packs</td>
<td>Large, cyclical industry: Aerospace</td>
</tr>
<tr>
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Two Companies: Very Different Valuations

**Back Pack, Inc.**
- $60 M in revenue
- $5 M in EBITDA
- No Debt
- Growing 15%/year
- Long customer connection
- Large stable industry; packs
- Long term management
- Family owned
- Manufacturing processes good

**Plane Parts, Inc.**
- $25 M in revenue
- $5 M in EBITDA
- Debt $7 Million
- Growing 20%/year
- Long customer connections
- Large, cyclical industry; Aerospace
- New/old management
- Family owned
- Strong processes

$25 Million

$65 Million

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$25 Million  $65 Million

WHY?

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Role of the Professional Advisory Board

- Bring outside experience and perspective
  - a team that’s 'been there, done that'
- Challenge and be a sounding board for the owner and management
- Hold the company accountable
- Help drive results that the owner desires

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What Makes a Good Board

- Alignment with the goals of the owner
- Experience
- Complimentary skill sets to provide value
- Ability to coach and appropriately challenge management
- Fit and character

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What an Advisory Board is Not

- Gathering of country-club cronies
- A group of 'insiders'
  - Family accountant, lawyer or family members
- Binding legal obligations for the owners
- Statutory board with fiduciary responsibilities, liabilities or authority
### Board Selection Scorecard

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<tr>
<th>Candidate Selection Criteria</th>
<th>Importance</th>
<th>Score</th>
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<tbody>
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<td>Experience</td>
<td></td>
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<tr>
<td>• Industry</td>
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<td>• Company size</td>
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<td>• Prior positions</td>
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<td>• Prior boards</td>
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<td>Skills</td>
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<td>• Financial</td>
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<td>• Leadership</td>
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<td>• Strategic</td>
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<td>Fit and Character</td>
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<td>• Fits culture</td>
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<tr>
<td>• Respectful</td>
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<td>• Reputation and integrity</td>
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Selection Mistakes to Avoid (cont.)

- Cannot foster alignment
- Are not respectful and collegial
- Do not prepare for the meetings

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Roles of the Board Members

- **Owners**
  - Set the stage
  - Layout priorities and objectives
- **CEO & Management**
  - Being prepared
  - Execute the plan
- **Board Members**
  - Provide feedback and guidance

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Role of the Owner

- Set and clarity goals
- Establish good governance
- Be information driven
- Honor the process
- Define the culture
- Set the agenda
  - Consider a non-executive chairman to run the meetings

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Role of Management

- Be prepared deliver on the plan
  - 3-year strategic plan, annual operating plan, 90 day action plan, CEO's top priorities
- Be data driven
  - Dashboard of key financial and operating data
- Build people, organization and culture
- Be on top of technology, information and systems

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Role of the Advisory Board

- Be aligned with the owner
- Be prepared
- Hold the team accountable
- Challenge the team with respect
- Ask the tough questions
- Provide guidance and honest feedback

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Disciplines that Create Value

- Strategic plan
- Operating plan
- Compensation plans
- KPIs and a Dash Board
- Financial information
- Management information
Disciplines that Create Value (cont.)

- Transparency
- Alignment
- Ethics
- Accountability
- Decision Making

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Planning

You can’t cheat the game. You have to be prepared.

Mike Krzyzewski, Duke

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Creating Sustainable Value

- Companies are evaluated on:
  - Financial strength
  - Effective business disciplines
  - Long-term attractiveness of the markets
  - Excellent CEO and team with a strong culture
  - Predictable revenues from diverse products and customers
Breaking Down the Sustainable Value Wheel

- Sustainable Value Factors
- Rate against the factors
  - Where you are today
  - Where you want to be
- Evaluate the gaps
- Set plans to close the gaps
Key Value Factors

- CEO
- Management Team
- Culture
- Business Disciplines
- Management information
- Diverse product
Key Value Factors (cont.)

- Diverse customers
- Customer relationships
- Attractive Industry
- Earnings size
- Gross margin
- EBITDA
- Growth model
- 'Must Have' company

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Free Value Wheel Assessment

- [www.TheBoardGroup.com](http://www.TheBoardGroup.com)
- Follow the links to the "free value wheel assessment"
- Invite your Team to do the same and compare results

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Putting the Value Wheel in Action

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What’s Going On Here?

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**Value Escalator**

Goal of 10x EBITDA

Steps to Achieve Peak Sustainable Value

- Current base of 6x EBITDA
- Value Multipliers

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**Value Escalator**

**Goal of 10x EBITDA**

- +7: Systems
- +6: Multiple Buyers
- +5: Gross Margin Strength
- +4: Business Disciplines and Information
- +3: "Must Have Company"
- +2: CEO and Management Team capable of doubling value
- +1: Diverse Customers and Products
- Current base of 5x EBITDA

**Steps to Achieve Peak Sustainable Value**

- Value Multipliers

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What's your 90 Day Plan to Create Sustainable Value?

- Is your advisory board in place?
- What parts of your strategy need to change?
- What personnel changes or growth need to happen?
- What operational/systems changes need to be made?

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What’s your 90 Day Plan to Create Sustainable Value? (cont.)

- How should you change to enhance performance?
- What one step will you take this week?
- Use the sustainable value wheel tool with your Team.
Thank you for attending
Game Changing Advisory Boards

Click Here to contact our Featured Guest directly.

Click on this link to sign up for our upcoming Open Line:
How to Take Your Company's Attitude to the Next Level

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