THE MONTHLY CEO ADVISORY™

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Dear Friends,

I am pleased to provide you the August 2020 issue of ***The Monthly CEO Advisory***™.

This is a time of what Stephen Covey of *Seven Habits* fame referred to as "Permanent Whitewater" which is when change in business and life is non-stop.

My analogy is that many of us are on a craft trying to navigate a fast-flowing river, headed downstream and we only know for certain a few things that can help us; the rest we will find out when we come upon them during the journey.

There are rocks in the river for as far as we can see, and there are plenty of rocks under the surface of the water too, that could damage or turn our craft over pushing us into the water. The water is both cold and fast.

I am told that the best way to successfully control your raft, canoe or boat through the rapids is to either go faster than the current or slower. Whichever one you opt for; you should be able to manage better than if you are left to the will of nature; the speed of the water.

Listening to my CEO clients as we go through these interesting times, I have come to realize that far too many of them spend too much time on what is urgent and not enough time on what is important.

I encourage you to take this time to step back from your business to gain the perspective you need not just to successfully get through this whitewater we are all dealing with but to reaffirm to yourself the vision of where you want your business to end up once the pandemic ends.

Please enjoy all the articles in this issue and thank you for allowing us to be part of your continuing business education, growth and success. Stay safe.

Sincerely,

Ken Keller

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CEO

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Business Growth Opportunities to Consider in 2020

The Monthly CEO Advisory is a publication for business leaders. Please enjoy the articles, send us any suggestions of topics you would like to see covered and pass this on to others so that they might benefit. Thank you. Ken Keller

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BUSINESS GROWTH & PROFITS

CONVERSATIONS WITH THE CEO

When I meet with a CEO, my goal is simple: to help that leader identify the challenges being faced every day as he or she works hard to build a successful company.

Yes, I care about them as individuals who in their other life are sons or daughters; parents; maybe even grandparents; uncles or aunts; cousins; neighbors, friends, taxpayers and whatever else they are in their life outside work.

But my "main thing" is helping the CEO to have a better business. After advising CEOs for decades, I have considerable experience facilitating what "a better business" actually is.

My conversations aren't about me or the processes I use.

My conversations are **about the CEO and three things** that keep them up at night. *(What are yours?)*

My conversations are about how the **CEO perceives those issues versus how their team perceives those issues**. *(You'd be surprised at how few CEOs actually share their concerns with their employees!)*

My conversations are about how many employees they had a year ago; **how many they have today, and how many they expect to have a year from now.** (*Are you aware of how the complexity of your company is due to the addition of people?)*

My conversations are about how clear each person in the company is **about their roles and responsibilities.** *(It's amazing how many people, managers included, who do not know what is actually expected of them at work.)*

My conversations are about how that **CEO feels about his or her team and why they feel the way they do.** *(Happy? Pleased? Frustrated? Angry? Disappointed? All of the above? None of the above?)*

My conversations are about **how the CEO can get better alignment with their management team.** *(Too many companies lack not just clear goals and priorities but lose focus because too many goals and priorities compete with one another.)*

My conversations are about the **CEO speaking regularly in one on ones** with his or her direct reports. *(In my opinion, these are the most critical meetings a CEO can have.)*

My conversations are about making sure the **CEO is a better listener.** *(Making sure that everyone's ideas and concerns are heard and understood.)*

My conversations are all about helping the CEO and the management team to **identify the top challenges, concerns and opportunities holding back growth**. *(Sometimes just explaining what the word "growth" means can be a game changer.)*

My conversations are about when **the CEO leads meetings it isn't about dominating** the session but rather allowing everyone to have a voice in order to gain perspective on the different points of view around the table. *(No one wants to be lectured to.)*

My conversations are about creating alignment, top to bottom and side to side) in order **to get people engaged.** *(Engaged employees are harder working, and more productive than those who are disengaged or actively disengaged.)*

My conversations with the CEO are often on gaining clarity about what **the company's strategic competitive advantage** is. *(Often this is the best kept secret in the company.)*

My conversations with the **CEO are focused on uncovering the Builder / Protector ratio** so that the company has the right focus and energy on growth. *(Some people make it rain, others count the raindrops.)*

What comes out of these conversations? Honest, open discussions and decisions of insight and clarification about people, processes, opportunities, priorities and profit. *(Email me.)*

Ken Keller

I work with Business Owners, CEOs and Presidents leading companies with 20 or more employees, providing advice to increase revenue, decrease costs and improve profitability.

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TAX NEWS

LOOKING FOR A TAX CREDIT?

David Stone

IRS Solutions Valencia, Inc.

www.FormerIRS.com

We help clients in dealing with IRS collection and audit issues of individuals and small, midsize and large businesses throughout the United States.

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The Taxpayer Certainty & Disaster Tax Relief Act of 2019 extended the Work Opportunity Tax Credit (WOTC) allowing employers who are willing to help disadvantaged individuals to benefit from a substantial federal tax credit.

The WOTC is typically worth up to $2,400 for each eligible employee, but it can be worth up to $9,600 for certain veterans and up to $9,000 for "long-term family assistance recipients." The credit is available for eligible employees who begin working for the new employer before January 1, 2021.

Generally, an employer is eligible for the WOTC only when paying qualified wages to members of any of the targeted groups listed below. For more information see IRS Form 8850 (Pre-Screening Notice and Certification Request for the Work Opportunity Credit).

1) Qualified IV-A recipients – generally, members of a family that is receiving assistance under the Temporary Assistance for Needy Families (TANF) program;
2) Qualified veterans;
3) Qualified ex-felons – generally, those hired within one year of release from prison;
4) Designated community residents – those who are aged 18 through 39 and who are living in an empowerment zone or a rural renewal area*;
5) Vocational rehabilitation referrals – handicapped individuals who are referred by rehabilitation agencies;
6) Qualified summer youth employees – those who are 16 or 17 years old, have never previously worked for the employer and reside in an empowerment zone*;
7) Qualified members of families who participate in the Supplemental Nutritional Assistance Program (SNAP);
8) Qualified Supplemental Security Income recipients;
9) Qualified long-term family assistance recipients – those receiving TANF assistance payments; and
10) Qualified long-term-unemployed individuals.

For an employer to qualify for the credit, the employee must work a minimum of 120 hours and receive at least 50% of his/her wages from that employer for working in the employer's trade or business. Relatives of the employer and previous employees do not qualify for the credit.

For an employee from most of the targeted groups, the credit is based upon the first $6,000 of first-year wages. If an employee completes at least 120 hours but less than 400 hours of service for the employer, the credit is equal to those wages multiplied by 25%. If the employee completes 400 or more hours of service, the credit is equal to the wages multiplied by 40%.

Thus, the maximum credit per employee in one of these groups would be $2,400 (.4 x $6,000). For the summer youth employees, only the first $3,000 of the first-year wages are taken into account, resulting in a maximum per-employee credit of $1,200 (.4 x $3,000)

Two categories allow for higher first-year wages to be eligible when calculating the credit; long term family assistance recipients and veterans.

Certification Process - To be eligible to claim the WOTC, the employer must file Form 8850 with its state workforce agency (SWA) no later than 28 days after an eligible employee begins work. Due to the COVID-19 emergency, the IRS has extended many filing due dates. Once a worker is state-certified as a member of a targeted group and has worked sufficient hours, the employer can claim the WOTC on Form 5884 (Work Opportunity Credit).

In some circumstances, electing not to claim the credit is more valuable tax-wise for the employer. Please call us for additional information related to the WOTC and to see if it would be beneficial in your particular tax circumstances.

COMMERCIAL INSURANCE

TO BID OR NOT TO BID

As businesses slowly move through the Covid-19 crisis, some insurance buyers will undoubtedly turn to "competitive bids" as a technique to reduce costs. While this approach can pay short-term dividends, it is generally not a good long-term strategy for most businesses. Yet, this year, a short-term fix may be necessary.

Before jumping into the competitive bidding frenzy, insurance buyers should ask themselves a few important questions. Would their companies be best served by seeking quotes only from carriers that offer the services and resources they need, or is a low price the bottom line? Are they willing to damage or lose a productive broker relationship for savings? What negative impact will a move away from a carrier that provides claims and safety services have on their internal insurance team? Could the long-term cost of disruption end up being greater than the short-term savings?

Orchestrating a months-long renewal process is often a time consuming and daunting task. The most effective competitive bidding processes are established and controlled by a strong buyer, and they are clearly communicated and fair to all parties involved. They begin roughly 120 days before the renewal date, when the buyer provides each broker with a comprehensive information package (an RFP) that includes all the information needed by an underwriter, 5 years of current loss information, and copies of all policies to be quoted. If brokers ask for additional information, the buyer must disseminate that information to the other brokers, or they will end up with a miss-match of values and coverage when they compare quotes.

To foster true competition, the buyer should thoughtfully assign each viable carrier to a specific broker, thus preventing the current broker from monopolizing the best carriers. Yet, even after completing the market assignment process, the buyer may find the insurance marketplace chooses their broker for them. In other words, the weakest broker may end up with the lowest price.

If the buyer simply mails their RPF to the brokers, the results will be significantly diminished. The buyer must assure that each participating broker thoroughly understands their business operations and risks, and that they are adept at telling their company's story to an underwriter.

The buyer should also establish a criteria by which they will make a carrier change.

Human nature dictates that every broker will want to deliver their proposal last. This virtually guarantees the buyer will be jammed for time at the last minute unless they establish and hold firmly to a proposal due date and the decision-making date. If a broker fails to have their complete proposal submitted to the buyer on the proposal due date, the buyer must disqualify that broker, even if that means they won't see pricing from presumably competitive carriers.

While I am generally not a proponent of the competitive bidding process, I understand it may be a necessary evil for some organizations given the current circumstances we are working with. Let's hope it doesn't have to become the norm in the future.

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HUMAN RESOURCES COMPLIANCE

WHY EMPLOYERS NEED TO FOCUS ON UNCONSCIOUS BIAS

In July, I wrote about the six sources of workplace cultural conflicts including unconscious bias. As workplaces become more diverse, employers and their employees are working with people of different backgrounds: race, age, gender identity, sexual orientation, nationality, religion, socio-economic status, and political views.

We then combine our pre-existing mindsets with unconscious bias, which are shortcuts our minds use to assess people and situations quickly. The instant we see or meet someone we do not know; we apply stereotypes we have learned from past experiences. Individuals make lots of assumptions and treat people differently, without even being aware they are doing so. As a result, this impacts how we communicate, who we really listen to, how work is assigned, how we review performance and who gets promoted as well as creating conflict in the workplace.

Employers, therefore, need to focus on unconscious bias to help employees feel safe and have increased productivity. According to Emtrain in their guide to unconscious bias, they describe five different types of behavior around this topic, dissenters, skeptics, know-it-alls, always learning and thought police.

Dissenters are people that just do not believe that unconscious bias exists. They are suspicious about social and behavioral science and are confident they properly judge others, end of story. They tend to rationalize their behavior and maintain their power, privilege, and achievements.

Skeptics are open minded, but still grapple with the concept of unconscious bias. They have always thought of themselves of good, fair, people, and because of their positive life experience they are oblivious of the challenges that other people must navigate. Because of this they are skeptical.

Know-It-Alls think they already know everything they need to know about unconscious bias. They are more careful how they treat women, people of color, people of various sexual orientations, etc. They are a little smug because they have been enlightened.

Always Learning employees are lifelong learners who read new research, articles, blogs, and love to participate in activities to better themselves. They are open to new ideas about culture and the changing diversity of the workforce.

Thought Police are employees that are over-engaged and very aligned with the changing social mores. They think they understand unconscious bias, diversity, privilege and want everyone to agree with their understanding and actions. Divergent views are not acceptable to these individuals.

Employees need to be able to feel respected by their teammates, believe people show empathy toward them, be able to be themselves and not hide their authentic self, feel they belong and believe their ideas are valued.

We tend to minimize what others are thinking or feeling, but really their feelings and thoughts are just the same as ours. Employers and employees need to show a sense of understanding, compassion, and respect. Employers need to engage their people and let them know that they can feel safe in your workplace.

During these challenging times it is very important for companies to ensure their employees are safe and engaged in the work at hand.

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MANUFACTURING EXCELLENCE

MANUFACTURERS NOW FIND THEMSELVES IN A FULL FORCE HURRICANE.

The COVID-19 storm we saw brewing in February/March 2020 has proven to be much more than a brief cloudburst, but rather a full-fledged hurricane. However, while most hurricanes pass in days, this hurricane is here to stay. A V-shaped recovery does not appear to be in the cards for manufacturing.

With automotive shipments down 35%-40%, commercial aerospace down 40%-50%, oil and gas seemingly frozen in time, and retail product demand clearly depressed and riddled with uncertainty, this is not going to be a 3-4 month "hiccup". This is going to be a 12-18 month (or longer) killer storm.

If manufacturers are to survive, a new map needs to be drawn.

What is our new **DESTINATION** (survival)?

WHERE ARE WE NOW (taking on water)?

What does the **JOURNEY** ahead look like?

What are the **CHECKPOINTS** which will tell us we are successfully navigating the storm?

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DESTINATION:

It is likely that many manufacturers will not survive, but for those who do, there will be reduced competition and customer demand that will outstrip supply. This creates the promise of a healthy and rewarding future for those who are able to pull through over the next 12-18 months.

WHERE ARE WE:

With revenues dropping like a rock to 30% - 50% below budget, we find ourselves in a challenging cash flow environment with profitability nearly impossible to sustain. Government PPP funding has been a significant help, but this will not last through the storm. Financial ratios have deteriorated, COGS ratios have eroded and gross margins are no longer covering fixed overheads, let alone generating profits.

JOURNEY:

The journey ahead needs to be carefully mapped. Cash flow needs to be aggressively managed through active engagement with customers, vendors and bankers. Equipment and building loans need to be deferred. Government funding needs to be wisely administered and accurately documented. Capital investment plans are deferred. Staff reductions will be inevitable and necessary. Overhead is to be re-structured and efficiencies optimized. The relentless drive to improve processes and eliminate waste accelerated.

CHECKPOINTS:

It is time to re-assess the key performance indicators (KPI's) which will record our progress as we navigate through the storm. Some of our key growth metrics such as revenue growth, capacity and on time delivery will necessarily fall by the wayside. Other KPI's must move to the forefront. Sales per employee. Revenue per machine hour. Labor dollars as a percent of revenue. Scrap and inventory reduction.

As with every captain caught in the throes of a violent storm, it is essential to be intensely engaged. Attention is focused on the course ahead, making course corrections as conditions change. Reaching out to all available resources to assist in the difficult journey ahead.

Manufacturers are facing significant challenges. Those who engage, make the difficult decisions, clarify their destination, chart the journey and continually measure their progress will likely suffer damage, but will dramatically improve their odds of coming out strengthened and well positioned to benefit from a future economic environment of reduced competition and renewed customer demand.

INFORMATION TECHNOLOGY

YOU CAN'T ENSURE YOUR BUSINESS' SUCCESS WITHOUT FIRST SECURING YOUR BUSINESS' TECHNOLOGY

For most small to medium-sized businesses (SMBs), being successful, unsurprisingly, ranks as their number one goal. At the same time, most business owners wouldn't say that cybersecurity is really one of their key initiatives when it comes to achieving success.

However, technology has become such an increasingly integral component of the success of SMBs that business owners need to focus on this often-neglected area if they truly want to ensure a successful enterprise.

I. DANGERS FROM POOR IT SECURITY PROTECTIONS ARE INCREASING

It seems like every year the risk of cybercrime continues to skyrocket. For small businesses this threat is particularly daunting. While breaches can result from a variety of attack methods, some of the most common include:

1. PHISHING

Phishing and spear phishing are key areas of concern for businesses of any size, especially SMBs. Email continues to be the most common compromise vector (96%).

2. MALWARE

Some of the most significant attacks were the result of malware. As more varieties of this harmful software are being created each year, that trend doesn't seem to be changing anytime soon.

3. IGNORED OR UNPATCHED UPDATES

By not implementing new patches and updates when they are released, you're essentially leaving holes in your network defense for hackers to exploit.

4. OPERATIONAL TECHNOLOGY AND IOT VULNERABILITIES

Some people believe that Operational Technology (OT) and Internet of Things (IoT) are somehow safe from cyberattacks or not related to their networks. However, this couldn't be further from the truth. These technologies are becoming more and more common and this faulty mindset about their safety is nothing more than a false sense of security.

II. IMPLEMENTING IT SECURITY SOLUTIONS TO ADDRESS THESE CONCERNS

Rather than looking for one technology solution, it's critical to look at the situation holistically. This means evaluating things from a more strategic perspective because many of those granular issues tend to result from NOT looking at the broader issues.

1. CONDUCT A TECHNOLOGY AUDIT

Do you know all of the devices that are on your network? If you're like most people, the answer is likely no. Knowing your network inventory is the foundation for the success of your IT - which is crucial to the success of your business.

2. IMPLEMENT A LAYERED SECURITY APPROACH

While it's true that there's no way to stop 100% of all attacks, a layered approach to IT security is the most effective way to protect your business from potential threats.

A layered security approach typically includes:

- An effective firewall
- Quality antivirus and anti-malware software
- Network monitoring and managed services
- Automated alerts and responses
- Internet Threat Protection
- Software Encryption
- Dual-factor Authentication
- Regular server, network, and device updates and patches; and
- Remediation recommendations and implementations.

3. MAKE EMPLOYEE CYBERSECURITY AWARENESS TRAINING MANDATORY

It's terrifying how little the average end user knows about cybersecurity, yet they're too often allowed to operate unchecked on company computers and networks. Without the knowledge of cybersecurity best practices, this means that they end up opening malicious emails, downloading infected software, and creating other vulnerabilities on your network. This underscores the necessity of effective cybersecurity awareness training for every small business.

Which leads me to my final question: Do you know where YOUR small business stands in terms of protecting your invaluable data? If the answer is no, now is the perfect time to figure it out.

Craig Pollack

FOUNDER & CEO

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COMPANY BENEFITS

THE IMPACT OF CHRONIC ILLNESSES IN THE WORKPLACE

Chronic illnesses in the workplace are a large and growing problem. It is impacting workers and the unemployed in America causing health care costs to continue to rise as well as lost productivity, more absenteeism and presenteeism for employers. Employees with chronic conditions have more sick time than healthy workers and when present sometimes cannot operate at peak performance due to these conditions.

If you have 100 or fewer employees, improving the health of your employees will not have a direct effect on your health insurance costs due to how health insurance premiums are computed under the Affordable Care Act

Companies with over 100 employees can stem the increases in costs and even lower their health care spend if employees are healthier. Health care costs, 80%, are driven by 20% of the population with chronic issues. Many of these issues are lifestyle related such as obesity, diabetes, high blood pressure, stress, and smoking.

According to the US Department of Health and Human Services six in ten Americans (60%) have one chronic disease and four in ten have two or more. Chronic illness is costly to workers even with health insurance due to higher premiums, co-pays, out-of-pocket costs. The financial burden is also impacted by the inability to work due to these conditions.

According to a 2020 MassMutual Chronic Care Study, 79% of workers are somewhat or very concerned about suffering a chronic condition as they age. Employees, 6 in 10, underestimate the cost of being out of work and having home care or rehabilitative services.

Chronic illnesses also drive up employer costs in increased health insurance premiums and reduced productivity due to absenteeism and presenteeism. According to a Price Waterhouse Coopers report an employee with a chronic illness costs the employer $4,700 a year, 3.5 times that of a healthy employee. Employees with one or more chronic issues costs the employer $10,830 a year which is 8.2 times that of a healthy employee, not including the employers' cost of health insurance.

Employers need to promote healthy lifestyles to lower health care spend, have fewer absentee days and increased productivity when employees are at work. In addition, employers can provide tools that employees can use to better manager those conditions.

My company provides mental health services and stress reduction practices including meditation, yoga, massages, and an employee assistance plan (EAP). The EAP is available 24/7/365 for employees to speak with a counselor and can seek assistance with many of the day-to-day struggles including marriage, family, and relationship issues; emotional, personal and stress concerns; drug and alcohol abuse; healthy lifestyles; and work-life balance. Childcare and elder care issues.

EAP's are offered through life insurance carriers as an add-on to group life insurance and there are a number of independent providers such as The Hollman Group, Beacon Health and The EAP.

There is also a myriad of wellness programs offered through health insurance carriers as well as independent wellness companies. Go365 is an employee wellness program powered by Humana that offers customizable individual experiences and gives companies of any size the ability to take a dedicated interest in their employees' health and wellness.

Chronic illnesses effects all of us. Isn't time you take a look at keeping your employees healthier?

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I help companies with 25 to 2000 employees become "Employers of Choice" providing employee benefits solutions and benefits compliance.

CFO Insights

FOUR FINANCIAL IMPERATIVES IN UNCERTAIN TIMES

Times have rarely been as uncertain as they are right now for most business owners. Here in California, we have gone from shutdown to opening back up, and then returning to shutdown. With the latest closures, businesses are now under more duress than earlier in the year. It seems that the light at the end of the tunnel is still just another locomotive. Apologies for all the negativity, but here are four financial recommendations that can help your business weather the crisis.

Chase Morrison

I provide CFO services to manufacturing and distribution companies with revenues ranging from $5M to $40M in revenue, with a focus on helping clients better utilize their ERP/accounting systems to overcome barriers to growth and profitability.

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#1 KNOW YOUR NUMBERS

Understanding the interrelationship between profitability and cash flow is more important than ever. Last month, we wrote an article on cash flow measures that you should check out here. Additionally, generating a financial projection that can accommodate some scenario analysis will allow you to investigate your financial responses to varying levels of change in the business environment, e.g. what needs to happen if revenue drops another 20% or 40%. Understanding how those reductions need to be offset with other changes will help clarify your path forward.

#2 KNOW YOUR BANKER

Improve your relationship with your banker. Most banks have a Director or Vice President of Relationship Management that should be your primary conduit into the bank. This person is responsible for understanding your needs and improving communication between your business and the bank. By understanding your challenges, they can propose solutions that you may be unaware of.

#3 JOIN A PEER ADVISORY GROUP

Peer advisory groups are groups made up of like-minded business owners that are experiencing similar challenges and can exchange ideas and solutions to improve decision making and financial results. As you can imagine, bringing wide-ranging expertise and experience to help solve your specific challenge can be an invaluable resource. If you are located in northern Los Angeles county, contact Ken Keller (Ken.Keller@strategicadvisoryboards.com); otherwise, Google "peer advisory groups" in your area.

#4 MAINTAIN SOME DRY POWDER

If possible, maintain some dry powder to pursue unanticipated opportunities that will most definitely surface as the pandemic progresses. Examples of this may include a competitor that needs to liquidate large amounts inventory that would fit nicely in your product lines. Another example would be a business, in a desirable adjacent industry to yours that is interested in quick sale, creating an opportunity to quickly expand your market penetration and leverage your infrastructure.

Clearly, no one knows how the pandemic is going to play out in the economy. The best you can do is know your numbers to facilitate quick corrective actions, surround yourself with like-minded business owners to improve decision making and prepare for the future. Contact us if you need help with financial planning, scenario analysis and KPIs establishment to help you to better navigate these turbulent waters.

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PURCHASE ORDER FINANCING

What if you're a small to medium-sized company and you're awarded a large purchase order but have no access to working capital to complete the transaction?

The solution you could be looking for is called Purchase Order (PO) Financing. PO financing enables good companies to complete their viable trade transactions. It's most suitable for fast growing and relatively small, undercapitalized companies with large, seasonal or opportunistic orders.

Like many other alternative financing programs, this solution serves as an alternative to equity.

WHAT SECTORS MIGHT BE A GOOD FIT:

- Import
- Seasonal
- Low-Tech
- Light Assembly
- Cosmetics & Food produced at a co-packer

TYPICAL BUYERS:

- Big Box retailers
- Subscription box companies
- Government entities
- Credit approved smaller companies

FUNDING WILL COVER UP TO 100% OF THE TRANSACTION COSTS, INCLUDING:

- Cost of Goods (inclusive of factory deposits)
- Freight
- Duty
- Insurance
- Trucking

KEY FEATURES

- Understandable Product
- Management Expertise
- Transaction cycle on average between 30-90 days
- Presold Product
- Quality & Qualified Buyers
- Funding available for deals as small as $10,000 and as large as $1,000,000+

SAMPLE TRANSACTION

The client received multiple orders from Walmart for an auto accessory. The factory in China required a 30% cash deposit to begin production. Total cost of goods, packaging, duty, and ocean freight for three containers exceeded $120,000.

Within a week the client and transaction were approved without the need for an upfront application fee. Deposits were paid by the Purchase Order Financing company and the factory acquired materials. Forty-five days after receipt of the deposit, the balance was paid to the factory and the finished product was placed in a container and shipped to Los Angeles. The product landed in the US, was delivered to multiple Walmart distribution centers, invoiced and paid within three weeks.

This client received multiple reorders but only required the PO Financing on the initial order. The PO financing company didn't require any long-term commitments, upfront fees or any further obligation, unless requested, since they work on a transaction-by-transaction basis.

BASIC REQUIRED INFORMATION TO EVALUATE TRANSACTION

Corporate:

- Current Financial Statements
- Most recent Federal Tax Return
- A/R and A/P agings

Transaction:

- Copy of Buyer PO
- Copy of Supplier PO
- Description of Transaction

PROSPECTIVE CLIENT EVALUATION CRITERIA

While a prospective client's current financial condition will be evaluated, other criteria are also considered:

- Management expertise: Management must have a proven track record.
- Product Sourcing and Quality: Vendors must have a demonstrable ability to fulfill client's purchase orders with a quality product.
- Logistical Control of Product: Must be able to monitor the movement of raw material and finished good from vendors to end buyer.
- Creditworthiness of Client's Customers: Verifiable purchase orders from reputable companies
- Verifiable Repayment: By a financially stable factoring company or direct payment from the client's customer.

We have established relationships with the most trusted and active PO finance companies available. If you are considering this type of funding for your business, let us connect you to a potential funding source and work to get you an offer.

WE CAN DO BETTER

DIVERSITY OF LEADERSHIP TEAMS MATTERS

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A recent Boston Consulting Group (BCG) study suggests that increasing the diversity of leadership teams leads to more and better innovation and improved financial performance. In both developing and developed economies, companies with above-average diversity on their leadership teams report a greater payoff from innovation and higher EBIT margins. Even more persuasive, companies can start generating gains with relatively small changes in the makeup of their senior teams.

For company leaders, this is a clear path to creating a more innovative organization. People with different backgrounds and experiences often see the same problem in different ways and come up with different solutions, increasing the odds that one of those solutions will be a hit. In a fast-changing business environment, such responsiveness leaves companies better positioned to adapt. This argument has always made intuitive sense, and now we have some convincing correlations to add to the case.

DIVERSITY GAINING MOMENTUM WORLDWIDE

BCG surveyed employees at more than 1,700 companies in eight countries (Austria, Brazil, China, France, Germany, India, Switzerland, and the US) across a variety of industries and company sizes. BCG looked at perceptions of diversity at the management level across six dimensions—gender, age, nation of origin (meaning employees born in a country other than the one in which the company is headquartered), career path, range of industry backgrounds, and education (meaning employees' focus of study in college or graduate school). To gauge a company's level of innovation, BCG looked at the percentage of total revenue from new products and services launched over the past three years.

The biggest takeaway BCG found is a strong and statistically significant correlation between the diversity of management teams and overall innovation. Companies that reported above-average diversity on their management teams also reported innovation revenue that was 19 percentage points higher than that of companies with below-average leadership diversity—45% of total revenue versus just 26%.

Of the six dimensions of diversity BCG considered, all showed a correlation with innovation. But the most significant gains came from changing the makeup of the leadership team in terms of the national origin of executives, range of industry backgrounds, gender/racial balance, and career paths. Age and educational focus showed a lesser effect.

Relatively small changes in the makeup of management can have a significant impact. For example, if a hypothetical company were to hire 30 managers from a different industry (2% of the total management team), it would improve its innovation revenue by a full percentage point. Hiring 38 female managers (2.5% of the team) would have the same result, as would hiring 23 managers (1.5% of the team) from a country other than the one in which the company is based. To be clear, these are not incremental new hires but rather replacements for existing managers and executives; the overall size of the management team remains the same, but it is more diverse.

There has always been a strong belief that having diverse leadership teams of different races and gender brings innovation, collaboration, and enhances the culture. This study helps quantify this belief and will give leaders of organizations the courage to do the right thing and hire more people who look differently than most company leaders as we are hoping; but now we can offer some data to show how it can also increase innovation and growth.

Welcome

- **Ken Keller**

Learn More

"I'd like to talk with you about participating in a **Virtual Strategic Advisory Board**"

What is a Strategic Advisory Board?

I bring together CEOs from non-competing companies of similar size, into an advisory board process which helps them gain fresh ideas and new insights.

This form of Peer Advisory has proven to be very effective in helping CEO's increase their effectiveness and their profits by gaining advice, support and insight from their peers who have faced the same challenges as they grow their companies.

Read on to learn how you can take full advantage to better plan, perform and grow your business by working on it and not in it.

Who Will Be In Your Strategic Advisory Board?

- 8 to 12 Hand Selected CEOs from Different Industries Providing Broader Perspective
- CEOs leading Growing Companies, each with 11 to 95 employees
- CEOs Committed to Growth: Both Positive Personal and Professional Change
- Individuals Who Are Life-Long Learners
- Quality People; Ones You Will Enjoy Spending Time With and Getting to Know
- Individuals who will be candid, transparent and honest with you because they will tell you what you need to hear not necessarily what you want to hear

What to Expect From Your Strategic Advisory Board

- Having Access to a Select Group of Peers that are your Trusted Advisors
- No Competitors or Client Conflicts
- All Meetings are Confidential
- One Monthly Meeting (3.5 hours)
- Individual Leadership Coaching Monthly
- Group Annual Planning Session in October
- Operational Planning Meetings with you and your management teams in Q4 for the year ahead
- **Meetings held virtually until determined otherwise**

Providing a Virtual SAB Experience

- One 3.5-hour session per month
- Each CEO is allocated time for a formal business update using the Strategic Growth Navigator©
- Continuing Executive Education
- Discussion of CEO's Roundtable Issues (challenges, problems & opportunities)
- Work ON and not IN your company
- Individual leadership coaching will be calendared to honor your schedule
- **Both peer group and coaching sessions will be conducted through Zoom**

The Strategic Growth Navigator© is the basis for all SAB Meetings

The SGN is a one page Operational and Strategic Plan that covers all a CEO needs to do and track to run a growing company.

Created because far too many CEOs were running their companies without a roadmap or a report card except for tax returns.

It's mandatory. All my CEOs use it.

Often, CEOs share it with their bankers and management team members.

The SGN may be customized for your needs.

Individual Leadership Coaching

- Ideally, held once a month for 90 minutes
- Not mandatory but highly recommended
- Required if the SAB meeting is missed
- Virtual to start, convert to in-person eventually
- Use of the Strategic Growth Navigator© as the foundation of discussion
- Discuss your Top Five Challenges of Growth
- Review your direct reports and their progress
- Check on goals set at Annual Fall Retreat

My CEO’s take themselves and their businesses to places they’ve never been to before

- More Revenue … More Profitable
- Better Clients … More Clients
- More Efficient Internally
- Stronger Cash Flow
- Improved Internal Focus
- Better Internal Alignment
- Stronger Teamwork
- Holding People Accountable
- Being Held Accountable by Your Peers
- Growing, Personally and Professionally

What others have experienced….

"I've been with Ken and my SAB for over 15 years. I can share things with my fellow CEOs that I cannot, do not, share with my own Board of Directors. At my first meeting I learned about "Internal Terrorists" and at that moment I realized I had a lot to learn. I stay in the SAB because I have to keep on learning."

—CEO of a local public company

What Kind of Outcomes Can You Expect from Your Strategic Advisory Board?

- ✔ First year of participation could yield an increase in revenue, perhaps as much as 20%; each following year growth should be a minimum of 10%*.
- ✔ You'll learn which employees are engaged, disengaged or actively disengaged.
- ✔ The costs in your company will go under a microscope; expectations are that you will reduce costs by 10% or more.
- ✔ You'll know when to hire & how to hire effectively, avoiding those that don't truly fit.
- ✔ You'll be focused on building a better future for yourself, your company and your clients.

*Projected growth. No guarantees of outcomes.

In a nutshell…

Genuine CEO to CEO Input
Avoid landmines

Continuous Learning
Grow yourself

Build a Network
Have friends for life

Use Recruiting Tools
Stop hiring terrorists

Have a Plan
Set goals, be held accountable to execute,
learn to hold others accountable

Get Coached
Hear what you need to; which
is not always what you want to hear

Business Growth
Use a predictable model

First steps to participation

- Interested CEOs can contact me at any time via email.
- Second step is a Zoom interview and signing of an NDA followed by information sharing.
- Next, payment of registration fee and assignment to a new or existing Strategic Advisory Board.

Registration Details

- One Time Registration Investment Fee of $1,250
- Up to 6 assessments that determine behavioral styles and what drives that behavior (DDV) for any of your direct reports
- Team debrief for these assessments via Zoom
- License to use SGN as a member of SAB
- Use of the Stages of Growth Matrix
- Use of Showcase PowerPoint

Investment

The value of participating in the SAB program is worth $40,000 plus.

For my valued clients, the annual investment is $12,000.

* If you prefer to pay monthly, you have the option of doing so at $1,100 per month.

About Me…

❖ My beautiful bride, Donna, and I have a son, daughter-in-law, two granddaughters and a grandson

❖ We have lived in Valencia, California (near Los Angeles) since 1990

❖ Donna teaches elementary school

❖ I have written two books on business

❖ Publisher, *The Monthly CEO Advisory*

❖ I am a cancer survivor

❖ I have a tremendous network of solid citizens all over the country

Thank You for your time and consideration. I look forward to working with you.

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