

THE MONTHLY CEO ADVISORY™



revenue

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Dear Friends,

My article this month asks some challenging questions about positioning and about profits.

These are thought-provoking queries that you should ask yourself first, and then your leadership team members; the results should bring some interesting discussion to the surface.

Overseeing a business is the single most challenging task someone could ever take on. It is all consuming and all encompassing. You have little time to learn about all the areas you should. To make it easier for you, each of our articles are short (only one page) and are written with you specifically in mind, covering the following categories:

- Growth & Profits
- Tax News
- Human Resources Compliance
- Commercial Insurance
- Manufacturing Excellence
- Information Technology
- CFO Insights
- We Can Do Better
- Social Media
- Insolvency Advising
- Estate Planning
- Mergers & Acquisitions
- Business Law
- Intellectual Property
- The Future Explained
- Leading Powerfully
- Teamwork and Culture
- Creating Strong Leadership Teams

Please feel free to pass along ***The Monthly CEO Advisory*** to others in your network who might benefit from learning something that could positively impact their business.

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. May this year be better for all mankind.

Sincerely,



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CEO

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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

QUESTIONS ON POSITIONING AND PROFITS

What does your company do differently than the competition? What does it do better than the competition? What does it do that is special? The agenda behind these three questions is simple: to uncover sustainable competitive advantages. Discovering what sets your company apart and sending that message consistently to your prospects and clients yields high returns.

Does your company have a solid lead generation and lead tracking system? I can't think of any company that ever put together a plan or projection showing anything other than growth. But revenue declines and a shrinking client base happens more frequently than anyone believes. With a system for generating leads and tracking them through your sales funnel you are more likely to turn things around.

Are your employees clear on the difference between cash and income? While most privately held companies wish to maintain the secrecy of financial data, you would be wise to educate all employees between cash flow and income to the business. You'd be

amazed how many great ideas your employees have for helping the company improve cash flow.

Do your employees understand how much money it takes to run the company? CEOs often think that employees will be upset when they find out how much money the boss makes. Financially educated employees really want to know how they can help the company be more efficient and profitable so that they can earn raises.

Do your employees understand the impact that the cost of goods or the cost of services has on gross profit? Reducing this cost increases profits. If you teach your employees how this concept works, they can likely find additional ways to save. Just ask them for help.

Do your employees see the direct correlation between exceptional customer service and company profits? The quality of your product or service can leverage your margins. Strong quality and value support raising prices. Communicate to your customers as to why your quality is critical to their business. Create a "value belief" in your customer's mind – linking you to them because of how you can

impact their customers' success. Don't stop at just telling your customers that your quality exceeds industry standards. Go on to tell them why that makes a difference to them and even more so to their customer.

Does your company have a disciplined and sound execution strategy for each product or service offered? Without the focus to execute a strategic plan, profits may well remain elusive. Execution is a discipline and integral to strategy; it is the major job of the CEO. Execution must be a core element of your company's culture. Execution is a systematic way of exposing reality and acting on it.

Does your company recognize, and reward people based on innovative thinking? Company innovation should be a global mindset in your company, consistently improving how you do business. Can you find ways to innovate how to process orders quicker; identify internal processes that can reinvigorate your company; recreate and improve how you communicate with customers? If your employees, who are the key components of all those processes and procedures, are energized to continually improve upon the little things, profits will improve.

Visit StrategicAdvisoryBoards.com today to learn about nationwide peer groups on Zoom or call Ken Keller at 661.645.7085.

Learn about Strategic Advisory Boards by watching <https://youtu.be/cYTOZmVjaAM>



Ken Keller

We bring CEOs together in Strategic Advisory Boards for education, accountability, and association to improve their businesses and their lives, growing revenue, reducing costs, and improving profits. We provide tools, resources and coaching for already successful leaders to become even better.

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TAX NEWS

COMPENSATORY STOCK OPTIONS

There are two kinds of options—statutory and nonstatutory. “Incentive stock options,” or ISOs, as they’re commonly known, are statutory options, because they’re specifically provided for in the Internal Revenue Code and are subject to numerous qualification requirements. Options that don’t meet these requirements are nonstatutory stock options or NSOs (also known as nonqualified stock options or NQSOs).

Option grant: If you have ISOs, you are not taxed on option grant. The same is generally true of NSOs. An NSO is taxed at grant only if it has a “readily ascertainable” fair market value (FMV), which is seldom the case. IRS rules say that an option doesn’t have a readily ascertainable value at grant unless: (1) the option is actively traded or (2) (i) the option is immediately transferable; (ii) the option is fully exercisable; (iii) the option and the option stock are unrestricted; and (iv) the value of the “option privilege” is readily ascertainable. In the unlikely event that an NSO is taxable at grant, you have compensation (ordinary) income at that point.

The grant of an ISO isn’t subject to the Code Sec. 409A rules, which impose income inclusion and a penalty tax where a deferred compensation plan fails to meet certain technical requirements. The Code Sec. 409A

rules may potentially apply to the grant of an NSO, but the option can be structured to avoid the application of Code Sec. 409A.

Option exercise: No regular income tax is owed on the exercise of an ISO, but the alternative minimum tax (AMT) may apply.

Any remuneration that arises when stock is transferred on the exercise of an ISO isn’t subject to FICA (social security and Medicare) or FUTA (unemployment) taxation.

When you exercise an NSO that wasn’t taxed at grant, you’re taxed at ordinary income rates on the difference between the value of the option stock at that time and the price you paid for it (plus any price you may have paid for the option, although generally that will be zero). This is compensation income that’s subject to payroll taxes and income tax withholding. Taxes may be withheld from your salary or other compensation income, or you may have to sell some of the stock to cover the withholding or make some other arrangement with your employer.

If the option stock is nontransferable or subject to a substantial risk of forfeiture, then you aren’t charged with compensation income until those restrictions no longer exist. However, you can choose to pay tax on exercise so that all gain from that



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point on would be capital gain.

Sale of option stock: When you sell ISO stock, you generally are taxed at favorable long-term capital gain rates on the difference between the price you paid for the stock and the amount you realize on its sale. However, if you sell the stock within two years of the option grant or within one year of the option exercise, you’ll have compensation income to the extent of your bargain element at exercise. The balance of your gain is capital gain, which will be taxed at favorable rates if you’ve held the stock for more than one year on the sale date.

When you sell stock acquired by exercise of an NSO, you have capital gain if you were subject to tax either at option grant or exercise, or when restrictions on your option stock lapsed. Otherwise, you have compensation income at the time of the sale.

COMMERCIAL INSURANCE

DO YOU GET BUSINESS INTERRUPTION COVERAGE?

Business interruption insurance, which is also known as Loss of Income coverage, is one of the most confusing and least understood types of commercial insurance. Yet, this coverage will likely be one of the most critical components of your company's insurance portfolio if you hope to save, then re-establish your business after a large property loss.

The Loss of Income moniker is somewhat misleading, in that business interruption coverage is a highly customizable coverage that is intended to pay for far more than income lost due to a partial or total shutdown. When set up properly, business interruption coverage addresses the following expenses that might continue after a property loss:

- Net profit. (Based on financial records.)
- Mortgage, rent and lease payments.
- Loan payments.
- Routine bills such as utilities, advertising, and insurance premiums.
- Employee Benefits premiums and administrative costs.
- Taxes
- Ordinary employee payroll, either on a full annual or limited period basis.
- Specific employee payroll.
- Relocation expenses to a temporary location.
- Extra expenses such as storage and rent for temporary space.

Even if a business is not highly profitable, business interruption coverage is still available, and it continues to be critical coverage component in the event of a property loss. In addition to paying for ongoing business expenses, coverage can be designed to provide 100% of payroll and employee benefits costs for specific employees who are critical to re-establish and perpetuate the business after a loss, including business owners who may or may not take a salary.

One of the aspects of business interruption coverage that is most misunderstood by insurance buyers and their brokers is the process used to calculate and establish the proper limit and length of coverage needed. The length of coverage is flexible, and depending on the specifics of each business, may be as long as several years, while coverage limits are different for every company.

Establishing a coverage limit today, to respond to an unforeseen event that will occur in the future, due to an unknown type of peril (fire, wind, collapse, explosion, even earthquake), is as much art as it is science. Defendant on the type of business to be insured, there are several ways to make this calculation. For example, a brick-and-mortar manufacturer has a very different ongoing expenses than a software distributor. The key to calculating a business interruption coverage limit is having comprehensive financial information, then understanding how to use that information to establish a limit that is both accurate and adequate to meet the insured's needs after a future loss.

It's surprising how many insurance buyers have no idea how their business interruption limit was established, or when it was last changed. Businesses should work closely with their broker to complete a Business Interruption Worksheet ever year before their renewal, to ensure that they have the coverage they need, when it's needed most.



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HUMAN RESOURCES COMPLIANCE

DOL ANNOUNCES RAMPED-UP FMLA AUDITS FOR EMPLOYERS

The Department of Labor (DOL) is back at the FMLA audit game. This is your not so gentle reminder that employers will continue to face scrutiny on their FMLA procedures, and that they increasingly face liability.

It is time for a self-audit or outsource the audit to a reputable and knowledgeable firm.

1. Conduct a thorough review of your FMLA policy. The DOL will review an employer's FMLA policy and all of its FMLA forms to ensure they are up to date. Are your FMLA policies up to date? Is your FMLA policy included in your employee handbook, along with the contents of the FMLA poster?



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2. Adhere to the Employer Posting Requirements. Employers also must post the [DOL's FMLA poster](#) "prominently" where it can be viewed by employees and applicants. If a substantial portion of your workplace speaks a language other than English, you must provide the poster in that language.

3. Ensure your FMLA forms are legally compliant. Examine all existing FMLA forms to determine whether they comply with FMLA regulations. A technical violation of the FMLA can be costly, so employers should ensure that their FMLA forms are all up to snuff. Remember California Certification Forms are different than Federal requirements.

4. Prepare legally compliant FMLA correspondence. Be sure to review legally compliant correspondence regarding certification, recertification, failure to provide certification, insufficient/incomplete certification, employee's return to work, second/third opinions. These communications also will be reviewed by the DOL.

5. Conduct a comprehensive audit of your FMLA practices and procedures.

- What procedures are used when an employee reports an absence that may be covered by the FMLA?
- Are you asking the correct questions to determine whether FMLA applies?
- Do the procedures you follow ensure that all requests for leave, regardless of whether "FMLA leave" is expressly requested, reach the appropriate manager or Human Resources?
- How are you calculating increments of intermittent leave?
- Are you complying with the FMLA regulations when seeking medical certification, curing certification,

contacting health care providers to clarify certification, and seeking second and third opinions?

- Are you properly designating FMLA leave and providing timely notice to employees of the designation?
- Are you seeking recertification within the time periods allowed by the regulations?
- Do you have compliant procedures for contacting and checking up on an employee while he/she is on FMLA leave?
- Are you following the regulations' very specific guidelines for seeking fitness-for-duty certifications from employees returning from FMLA leave?

6. Clean up your recordkeeping now. Employers should have their employees' FMLA information and documentation, separate from the personnel file and maintained for at least *three years*.

7. Train your employees! The DOL knows one important fact: your supervisors and managers do not know your FMLA policy and leave procedures, so you better get a handle on this because these managers are creating a liability for you. Indeed, there are far too many examples of employers who have paid out a whole lot of money because their manager said something foolish about FMLA, did not properly handle an absence covered by FMLA, or did not follow the FMLA regulations.

Don't become the latest DOL press release when it comes to FMLA. Heed the DOL's warning that this is a pivotal year and get your house in order now. JorgensenHR can assist you with all matters FMLA.

Source: JorgensenHR & FMLA Insights Jeff Nowak

MANUFACTURING EXCELLENCE

ARE YOU EVALUATING YOUR CAPITAL INVESTMENTS?

Manufacturing is very capital intensive. Whereas salaries are typically the major investment in service and professional organizations, manufacturing is dominated by investments in capital.

In most manufacturing operations, regardless of size, invested capital is commonly in the range of 40-60% of sales. For a small to mid-size manufacturing concern with revenues of \$10 million, it is not uncommon for it to have \$4-\$6 million in invested capital.

Given this reality, one would expect that these millions of dollars in capital investment would be carefully evaluated for return on investment (ROI) and payback periods. While these financial metrics are standard procedure in corporate settings, these types of financial evaluations are far less common in privately held small to mid-size manufacturing companies.

As I transitioned in my own career from corporate to privately held manufacturing, this was one of the most significant surprises. Performing ROI calculations was a matter of course in my corporate life, but as I began to work with privately held manufacturers, while they are aware of the terminology, in practice, these assessments are rarely performed.

Rather than using formal financial tools, significant capital investments are usually evaluated based on the owner's intuition and experience. The question must be asked, would this money have been better spent simply investing in the stock market or real estate? Can I quantify the expected return? If the significant risks and operational challenges of investing in capital equipment is only returning the same as other investment options, why am I doing it?

Granted, calculating future returns for capital investments can be challenging and is dependent on a number of assumptions which may or may not prove to be true over time. But if that is the reason to not perform an ROI calculation, what of strategic planning, budgeting and operational plans? Should we not do any of those because they are difficult to do as they also rely on significant assumptions about the future?

Not at all. We do planning knowing full well that conditions on the ground will change and the plan will need to be altered as conditions change. But it is essential that we have a plan to validate moving forward in the first place. Evaluating capital investments is no different.

One of the obstacles to doing ROI and payback calculations may be the complexity of these calculations offered by the financial community. Discounted cash flows, present

rate of return, internal rate of return and other formulations can be difficult for non-financial owners and managers to fully comprehend. They consequently find it difficult to trust the validity of these calculations.

So why not keep it simple? In its most basic form, an ROI is simply the incremental profits I believe I can generate with a capital investment divided by the costs associated with that investment.

To take a simple example, let's imagine our hypothetical manufacturer is planning on purchasing a \$1 million CNC milling machine. Assuming a 10-year productive life for this machine, the total cost of this investment to produce the anticipated incremental sales, including labor, maintenance, tooling, etc. could be in the neighborhood of \$3 million. This machine is expected to generate an incremental annual revenue of \$250,000/year, or \$2.5 million over the 10 year planning horizon. Assuming an operating profit of 15%, the incremental profits will be \$375,000. This yields an ROI of 12.5% ($\$375k / \3 million) and a payback period of 2.7 years ($\$375,000 / \1 million).

Having established this baseline, I can decide whether I am satisfied with those results. If not, I have the option to adjust the various parameters including the initial acquisition cost, future labor, maintenance and tooling inputs, sales potential and profit margins.

Having performed even the most basic ROI calculation, the manufacturer is now in a much better position to evaluate his choices and investment decisions.



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INFORMATION TECHNOLOGY

HOW SECURE IS EMAIL ON MICROSOFT OFFICE 365?

Microsoft Office 365 is among one of the most popular and widely-used office suites for small to mid-size businesses (SMBs). The cloud-based subscription service, for which Microsoft guarantees 99.9% uptime, enables employees to communicate collaboratively and effectively using a variety of business-focused tools such as email, shared documents, calendars, and web conferencing.

However, the popularity of Office 365 for email hosting makes it a prime target for hackers and other malicious users who wish to exploit cybersecurity vulnerabilities and threats. They frequently do this via social engineering, ransomware, viruses, and other methods of cyber-attack.

So, this brings up the question: Just how secure is Microsoft's Office 365 email service? And what are a few email security best practices to keep in mind when navigating your inbox?

OFFICE 365 SECURITY CONCERNS AND EMAIL SECURITY THREATS

Although no single technology or brand can prevent 100% of all cyber threats (because you can only mitigate risk through the combination of technology, education, and by following cybersecurity and email security best practices), Microsoft Office 365 is still viewed as a leader in email service.

Even with this in mind, here are a few of the recent cybersecurity vulnerabilities and threats that have been identified as affecting the Office 365 email service.

HACKERS USE PHISHING TACTICS TO BYPASS OFFICE 365 PROTECTIONS

In recent months, several Office 365 email security concerns have come to light when it was discovered that the advanced threat protection (ATP) mechanism used by 365 and other popular email services was

susceptible to a specific type of phishing attack called the ZeroFont technique. The way it works is that the scammer mimics a popular company to trick users into giving up their personal and account information.

Hackers also found a way around Microsoft's dubbed Safe Links protection feature, which replaces all website links in an incoming email with secure Microsoft-owned URLs, by using something called a "base-Striker attack." This method of phishing attack replaces the default base URL with a different one than Microsoft intended, splitting and disguising malicious links to enable scammers to direct links to their phishing websites.

It also was discovered that cybercriminals were exploiting a vulnerability in 365's built-in security protections by inserting malicious links into SharePoint documents. Because Microsoft doesn't scan the links within shared documents for phishing URLs, those links were able to bypass the company's email security protections. This is where having an additional layer of internet threat protection (like our approach for clients to leverage Cisco Umbrella) helps to secure your network from this practice.

A FEW EMAIL SECURITY BEST PRACTICES FOR OFFICE 365

One of the first aspects we ALWAYS recommend is setting up 2FA (Dual Factor Authentication) to even access your email hosted on Microsoft Office 365. This is definitely a must.

Another critical one goes to the human element - being overly cautious of URLs that are included in the body copy of emails is certainly a best practice. In particular, be wary of emails that are sent with subject lines that read "Action Required" or "Urgent."



Craig Pollack

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When presented with a login page, it's vital to double-check your web browser's address bar to determine whether the URL is legitimate or if it's a phishing page. However, the downside of clicking on the link to make this determination in the first place is that by then, it could be too late - the link could direct users to a false login web page that triggers malware to download onto their machine.

From a business perspective, it's also beneficial to have a formal Cybersecurity User Awareness Training Program in place for your employees — everyone from the CEO on down. This is critical as no matter what technical protections you have in place, your employees are either your organization's best defense or biggest weakness when it comes to cybersecurity.

BOTTOM LINE

Despite the recent concerns with Microsoft Office 365 email security, when properly configured it's an invaluable and secure tool for small to mid-size businesses with the benefits overwhelmingly outweighing the risks.

WE CAN DO BETTER

WHERE WE LIVE MATTERS

I read this article that was titled, “U.S. Neighborhoods are more segregated than a generation ago, perpetuating racial inequity,” written by Stephen Menendian, director of research at the Othering and Belonging Institute at UC Berkeley. Here are excerpts from the article I would like to share.

“There’s an adage among housing justice advocates: “Tell me your zip code and I’ll tell you how long you’ll live.” In fact, we can also estimate how much money you earn, the quality of your education and even the likelihood you’ll go to jail.

As a society, there’s a growing awareness of the role that race plays in shaping life outcomes, from [maternal mortality rates](#) to the [chance of incarceration](#). Yet we often overlook one of the root causes in staggering disparities in health, income, and incarceration — where we live.

Racial residential segregation in the United States is the mechanism by which people are sorted into neighborhoods and communities that offer opportunity and deny it. Your residence determines the schools your children are zoned for, the amenities in your neighborhood, the safety of your streets and air and drinking water, your proximity to jobs, the strength of your municipal tax base and local economy and the degree of police surveillance and harassment you may endure.

Although [economic segregation](#) has been rising in recent decades, racial residential segregation is [higher](#) and [stronger](#). Even affluent and middle-class people of color disproportionately reside in [lower-opportunity neighborhoods](#), while lower-income white people have [access to higher-opportunity communities](#).

Residential segregation was carefully built into our metropolitan areas during the 20th century through collective private action and government policy. And although fair housing laws now prohibit discrimination in housing, segregation persists for a variety of complicated reasons, including differences in wealth and income and local land use policies.

Moreover, our research is clear that segregated and integrated neighborhoods have distinct outcomes for all residents in them, irrespective of the race of the individ-

ual. Residents of highly segregated Black and Latinx neighborhoods, including white residents, have lower [life expectancies](#), lower incomes, lower home values and lower educational attainments. Conversely, Black and brown people in integrated or highly segregated white communities have much better life outcomes along these measures.

Despite this evidence, and the enormous academic literature on segregation in the fields of health, economics and education, there remains considerable ambivalence about ending it. For African Americans who participated in school desegregation plans, the experience was often fraught. [Evidence shows](#) that Black students who attended desegregated schools had their life trajectories [changed for the better](#) (on average, and as measured by the types of factors described above), but at the cost of greater exposure to racism and loss of many supportive teachers and mentors. As a result, many anti-racism treatises today are skeptical of integration as a solution to structural racism, calling for redistribution of resources and equalizing school funding instead.

In the wake of last year’s unprecedented protests demanding racial justice, too many people directed their attention at symptoms rather than root causes. If the goal is to reduce — or even zero out — racial inequities in our society, that goal will remain ever elusive in a racially segregated society.”

“What I believe is a process rather than a finality,” says Emma Goldman. I pray we develop a process to do better, together.



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CFO *Insights*

THE DUE DILIGENCE PROCESS

Selling Your Business. A series of articles providing information to business owners who are starting to think about exiting their business.

You have now accepted an offer to sell your business. However, this offer has a very important contingency. The buyer has a right to perform due diligence on your Company. If the buyer likes what they see, the sale will probably close at original terms. If they don't like what they see, the buyer may walk away or renegotiate terms. So, what do buyers review in a due diligence process? **Everything!**

Shortly after the LOI is accepted, the buyer will provide the seller with a comprehensive document request list. The buyer

will establish a virtual data room where documents will be stored. The seller will copy documents being provided into the data room for review by the buyer.

The following is a brief listing of some of the documents that may be requested. For a more complete listing, please see The **Exit Strategy Handbook** published by **B2B CFO®**. If you would like a copy, please email me.

Financial Information – Balance sheets, income statements, cashflow statements, internal management reports, tax returns.

Corporate Documents – Articles of Incorporation, business licenses, insurance policies.

Customer Information – Customer lists, revenue by customer schedules, customer contracts, accounts receivable aging, customer profitability reports.

Vendor Information – Vendor lists, expense by vendor schedules, vendor contracts, accounts payable aging.

Employee information – Employee lists, employee agreements, payroll reports, employee handbooks, benefit plan documentation, job descriptions.

Business Process Information – Process documentation for business processes, training materials, quality assurance processes.

New Business Development – Description of sales organization, sales by salesperson, sales compensation arrangements.

The buyer will review documents provided. They may hire a CPA and law firm to assist. Financial information will be audited. A legal review of corporate documents and contracts will be performed. HR will review

HR practices to determine compliance with laws and regulations. They will also review compensation and benefit plans to determine if there are significant differences between buyer and seller. Sales will review effectiveness of the sales staff, variances in compensation practices, conflicts in territory alignments. Operations management will review effectiveness of business operations, identify potential redundancies with existing capabilities.

The buyer's objective in a due diligence process is multi-faceted, including:

- They want to fully understand what they are buying.
- They want to understand the synergies between the two businesses where $1 + 1 = 3$.
- They want to understand risk. Will customers or employees leave? Are there legacy risks that may become the buyers?

The due diligence process is performed to give the buyer assurance that the transaction will meet their objectives. Concerns identified may be with the target company including the business is not as successful as claimed or there are significant outstanding risks. They may also be more related to integration, compensation practices are significantly different, or anticipated synergies will not materialize. The buyer will assess the information that is learned during the due diligence process and decide to complete the transaction as offered, attempt to renegotiate terms, or walk away.

Are you ready to sell your business? Would you like to learn more about how much your business is worth? If you are ready to start planning your exit now or would just like to know more about what exit planning is all about, please call me.



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SOCIAL MEDIA

THE SHELF LIFE OF AN ONLINE SALES LEAD

How long does an online sales lead last? Does it depend on how you got the lead? Is it even possible to extend the shelf life for an online sales lead? If you want more leads, keep reading!

DIGITAL MARKETING INSIGHTS

Unlike traditional advertising methods, online sales leads have a relatively short shelf life. It's why we suggest that companies **act fast** if they want to capitalize on these leads. In 2022, online sales leads are becoming increasingly complex. Companies who respond within an hour of an online query are almost **7x** more likely to have a successful sale.

Today, most online sales leads are communicated digitally, but 2022 will make face-to-face communication increasingly important for closing deals and retaining customers. Doing so will ensure your product or service stays top-of-mind.

PLANNING AND EXECUTING

The sales lead is a key aspect to digital marketing. As soon as you obtain a new lead, you want to begin planning your follow-up process as well as execution. There are three steps to this process:

- 1) Planning
- 2) Execution
- 3) Adjusting

First, you need to make sure that you understand who your potential

client is. **Plan** accordingly by having resources readily available in order to reach out quickly and effectively upon receiving a lead.

Once you determine how to contact your potential customer and how they like to be contacted, it's time for **execution!** Reach out **immediately**—remember, these leads don't stick around long!

Lastly, **adjust**. After every interaction with your lead, take some time to reflect on what worked and what didn't. Analyzing these results will set you up better for future interactions with new and potential customers.

DO'S AND DON'TS FOR BETTER RESULTS

As digital marketing evolves, so must your approach to sales lead generation. While past efforts may have garnered results in years past, those leads are long gone.

It's not a question of whether today's leads will expire but rather when—and how to effectively prolong their lifespan.

Do: Focus on one specific audience. The best way to make your current online investments pay off in 2022 is to see that investment going toward a single demographic. The more defined your target market, the more likely they are to convert into something more—and continue returning beyond 2022!

Don't: Automate everything. No strategy will ever work if you don't let it evolve.



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Don't expect strategies to hold up for years at a time, as digital marketing is constantly changing!

Don't: Take shortcuts. While it may seem easier to rely on others, you never know what you're missing if you don't invest **time** and **energy** in your own marketing efforts.

Do: Read the analytics. View marketing in metrics, especially for sales leads. Track who is responding, what they are responding to and how much time passes between each interaction. Understanding those numbers and percentages could mean all the difference when following quality leads.

So there you have it, a rundown of just how long an online sales lead's shelf life is, along with some tips on how to follow those leads for ultimate success. Still need help? Let **Social Spice Media** be your guide!

Call **805-482-8312** or visit socialspicemedia.com to get started.

INSOLVENCY ADVISING

WHEN ITS TIME TO LET IT GO, IT MIGHT BE TIME TO PUT UP A PARKING LOT

Let it go, let it go
Can't hold it back anymore
Let it go, let it go
Turn away and slam the door

-Idina Menzel

They paved paradise,
Put up a parking lot

-Joni Mitchell

Several recent engagement inquiries had fact patterns where it made sense to close the business and sell the real estate. In one instance, the founder of the business had passed away. The business was housed on property that was owned by the founder's family. Since purchase, the property has appreciated in value over the years. A new buyer of the business could not afford to operate the business at the same level of revenue, because the market rent would be overwhelming and limit the business's profitability. The family deserves to get fair rent, a new buyer of the property would require market rent to cover the cost of capital.

The vicinity where the business has operated may have changed as well. All around, factories are torn down and being converted into parking lots literally. It could be to accommodate

the gentrification growth like in the Art's District that is located just east of Downtown Los Angeles. In other circumstances, factories that are situated close to the port of Los Angeles / Long Beach are being torn down to accommodate the need to store shipping containers and the trailers that transport them.

Making the decision to close the business is not easy. There are many factors that come into play. Its not only a financial decision. There is, in many instances an emotional tie to the entity. Just like raising a child, its hard to let it go. In addition, there is a commitment to other stakeholders including employees, vendors and customers. When I am initially contacted, there is a state of paralysis. The owners are stuck in deciding. Instead, they kick the can and postpone a decision.

In some instances, I am contacted by the children of the founder or a founder's advisor to do an initial assessment. They claim that the founder is not being practical. In fact, they are not being realistic. In one case we had a meeting in the boardroom that had over 20 patents that the company has filed adorning the walls. At first glance they were impressive,



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but upon a closer look, each one was expired for at least 10 years. Ironically, there was still a fully staffed R & D department even though a new product has not been introduced for a long time. The business specialized in custom infrastructure products when buildings specified unique configurations. However, over the past decade the new infrastructure has adopted standardization eliminating the need for customization.

I have found it is better to rip off the band aid and face reality. Procrastinating does not improve the situation. In fact, it may make things worse. Delaying the inevitable is sometimes a disservice to the stakeholders one was trying to protect. Just like a patent that expires, sometimes a business's relevance wanes. It is better to let it go and see the property repurposed. Perhaps, like a parking lot.

ESTATE PLANNING

NATIONAL HEALTHCARE DECISION DAY

Did you know once you turn 18, everyone needs an [Advance Health Care Directive](#) (AHCD)? Clearly you are over 18, but what about the 18-year-olds and other young adults in your life – your child, grandchild, niece, nephew, neighbor, etc. – do they have Directives?

Once you turn 18, if you don't have an AHCD and [Durable Power of Attorney](#) (DPOA) and you lose mental capacity (due to illness or an accident) your family cannot make decisions for you or handle your affairs. They are headed to [conservatorship](#) (a super expensive and invasive court process that lasts for the rest of your life while you are incapacitated). This is avoidable by having an AHCD and DPOA!

Remember Terri Schiavo? After suffering cardiac arrest at 26, Terri fell into a persistent vegetative state. Because she had no AHCD, her husband and parents began a 15-year legal battle over who could make decisions for her. Her husband believed that she would not have wanted to live like that while her parents believed that she had quality of life. In the end, the court ordered to remove her feeding tube and she passed away 13-days later.

This family was torn apart and wasted tons of money on lawyers, all because Terri had no AHCD to state her wishes and give someone legal authority to make

decisions. Terri's case may be memorable, but it's certainly not alone.

According to multiple studies, the majority of people are not getting their estate planning ducks in a row.

- 66% of people under 65 do not have an AHCD.
- 78% of Millennials and 65% of GenX'ers do not have their [estate planning](#) documents done.

At any moment, you could experience a life-changing accident just like Terri's, and your family members and loved ones would be burdened with making very difficult decisions and often destined for court spending tens of thousands of dollars. All of this is avoidable with the proper planning.

[National Healthcare Decision Day](#) was launched in 2008 to "inspire, educate, and empower the public" about the importance of AHCDs.

Estate planning is ultimately about making sure your wishes get honored, staying out of court and ensuring family harmony. A basic estate plan includes an [Advance Health Care Directive](#), [Durable Power of Attorney](#), [Trust](#) and [Will](#). They each provide legal authority for someone to handle your affairs should you become incapacitated or pass away.

You may feel you don't need an estate plan, but trust me, you do.



Rebecca Goldfarb

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You need a plan if:

- If you have an opinion on who you want to take care of you, how you want to be cared for, who will make legal and financial decisions if you are unable and who will manage your assets and one day receive them.
- If you want to save your estate tens of thousands of dollars.
- If you want to give a wonderful gift to your family instead of burden them with difficult decisions and court battles.

Becoming an adult is a rite of passage that comes with treasured freedom – and also real responsibility. But, no matter what stage of life you are in, we all know that tomorrow is not a guarantee.

We make [estate planning](#) and [elder law](#) everything you always thought it wasn't: simple, accessible and enjoyable.

And don't worry; [we speak](#) fluent Millennial and GenX (Baby Boomer too).

BUSINESS MERGERS & ACQUISITIONS

WHAT DO WORLD SERIES CHAMPIONS AND SUCCESSFUL ENTREPRENEURS HAVE IN COMMON?

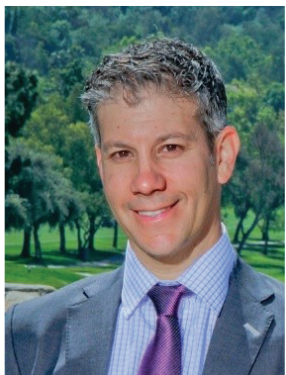
Baseball is back and spring training is underway! As an M&A professional and lifelong Dodgers fan (who once had the bucket list experience of visiting all MLB stadiums and appearing on the Tonight Show with Jay Leno), I've been reflecting on similarities between MLB teams preparing for the upcoming season and entrepreneurs preparing to sell their businesses.

Winning the World Series and successfully exiting your business both represent the culmination of many years of relentless focus on continuous improvements to the team, processes, and technology. Teams become World Series Champions by peaking at the right time, playing great defense, minimizing errors, while having a deep bench and strong role players. Prepared entrepreneurs have the same elements in place. Here's what I mean:

1. Peak at the right time *(aka increasing revenue and profits)*

Buyers acquire businesses based on the likelihood of future cash flows. Businesses that sell at a premium typically have increased sales and profits for 3+ years. If financial performance is declining, buyers will lowball, assuming significant time and resources will be required to turn the business around. If business owners expect top dollar, the business must demonstrate stable to increasing profits, which will expand the buyer pool and enhance buyer competition, ultimately improving price and terms for the seller.

2. Tight defense *(aka mitigate risk)* When a business relies on a specific customer, supplier, product, or employee, this is referred to "concentration." These situations usually result in discounted offers. Before going to market, we help business owners identify potential dependencies and create mitigation plans for each.



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We are an integrated M&A Advisory and Consulting firm helping owners of companies with revenues between \$5M-\$50M plan and execute the sale of their businesses at the highest possible value.

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3. Minimize errors *(aka clean books)* Can detailed financials be quickly generated, with trends/variances clearly explained? Do company financials easily reconcile to tax returns? Can personal expenses be readily substantiated? Buyers closely examine financials, and low-quality financials are deal killers.

4. Deep bench *(aka middle management in place)* For a company to sell at the maximum price, buyers expect middle management to be in place, or for the business to have a credible transition plan to replace owner responsibilities. Buyers gain comfort when businesses demonstrate that they can run seamlessly while the owner takes a two-week vacation.

5. Strong role players *(aka advisors)* When selling, it's imperative that you have the right team of advisors around you so you can continue to run your business while seeking the best deal. This typically includes your CPA, corporate attorney, wealth manager, and an M&A advisor, who will serve as team captain throughout this process.

Business owners looking to sell their businesses for maximum value and optimal terms must prepare themselves and their businesses by doing the following:

- **Peak at the Right Time** – Demonstrating that business is performing well financially and operationally.
- **Tight Defense** – Guarding against overreliance on any specific customer, product, employee, or supplier.
- **Minimize Errors** – Presenting clean financials, with trends and personal expenses easily explained.
- **Deep Bench** – Ensuring business continuity so the business can thrive beyond the owner after sale.
- **Strong Role Players** – Having support from a strong team of aligned advisors that share a common view of success.

Let me know if you'd like us to evaluate your readiness to compete for a World Series title to sell for maximum value. We'd love to connect and share our thoughts.

BUSINESS LAW



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UNLIMITED VACATION POLICIES

Unlimited vacation policies are on the rise and in demand. But are they as good as they sound? Here's why I think unlimited vacation policies are bad for everyone involved.

1. THEY'RE NOT ACTUALLY BETTER FOR EMPLOYEES

Most unlimited vacation plans are given with good intentions. Employers want to give a great benefit to their employees and encourage work/life balance.

Unfortunately, it's been shown that employees who have unlimited vacation plans actually take LESS vacation, and they're much more likely to work while they are out.

Traditional vacation policies also qualify as income earned, so when an employee leaves, they are entitled to get paid for any unused vacation. Unlimited vacation plans do not, so even if an employee hasn't taken any vacation all year, they walk away with nothing.

From the employer side, these can be good things -- less time off and no payout when they go! But if you really do want to do what's best for the employee, unlimited vacation time isn't it.

2. IT OPENS THE DOOR TO DISCRIMINATION CLAIMS

The more wiggle room any employment policy has, the higher the risk of it being used in an unfair way, even accidentally. If there are no clear rules about how much vacation is okay, how to ask for it, and under what circumstances it will be granted, it's far too easy to end up with a situation where the policy isn't being doled out fairly, and you're one complaint away from a discrimination claim.

3. IT DOESN'T AVOID ADMIN

One purported pro of unlimited vacation is that employers no longer have to track things like accrual and days off. But if an unlimited vacation plan is executed correctly, it

may end up requiring even more admin than a traditional plan.

To make sure people are using their time and that it's being taken fairly, employers should have clear policies in place about how it's granted, how many days each employee is taking, and when. If not, you run the risk of employee burnout or discrimination claims.

If you do insist on providing an unlimited vacation policy, best practices include:

- A very clear written policy about how to ask for time off and the criteria that will be used for approving/denying the request.
- Track the time everyone is taking to make sure people are taking enough, and that it is being granted fairly.
- Create a company culture where taking time off is truly okay.
- Some companies are mandating a minimum amount of days off, or giving money bonuses for taking vacations!

If you're second-guessing unlimited vacation policies, here are some alternatives:

- Traditional accrual policies. If you want to make sure they feel valued, simply grant them more time!
- Company-wide days off, where the entire company closes. Then employees can unplug and not have to worry about coming back to a big backlog.
- A PTO policy that combines vacation days with sick days, all granted upfront. That way, you're compliant with paid sick time requirements, the employee feels that they have the flexibility to take the time they need, and you can avoid some of the admin headaches that come with other alternatives.

INTELLECTUAL PROPERTY

CLEARANCE OPINIONS: WHY AND WHEN YOU NEED ONE

A product clearance opinion (or freedom to operate opinion) analyzes if a product or operation infringes on enforceable patents in a territory or country of interest. As patent laws of different countries may vary, a clearance opinion is needed for each country of interest.

The best time to obtain such an opinion is at the product design phase so that if there is an infringement issue, the design can be changed, abandoned or a license obtained before further investment in the product.

A clearance opinion is drafted by a patent attorney who performs a clearance search for most relevant patents and compares the product to those patents to determine infringement. Clearance opinions can be time-consuming and expensive, so the factors for a company in deciding to obtain such an opinion are important.

One factor is the value of the product or service in terms of investment, revenue, profit margins, etc. A product requiring high upfront investment is a good candidate for a clearance opinion before such investment is made.

An infringing product with higher

profit margins has proportionately higher damage awards, so such a product is also a good candidate for a clearance opinion.

Have similar products been subject of patent infringement litigation? Is the market for the product very competitive? If so, your product may also become a target of costly litigation, and so is a good candidate for a clearance opinion.

Is the product made from parts manufactured by other companies, especially foreign ones? Since there is a chance such parts maybe infringing parts, obtaining a clearance opinion is a good idea.

If the result of a clearance opinion for a product or service is unfavorable, the company has a decision to make. Proceed anyway and take a chance, change the design, obtain a license, abandon, etc.? If the decision is likely to proceed anyway, then the cost of a clearance opinion cannot be justified. With such a risky approach, however, the company should be prepared for significant litigation costs in order of hundreds of thousands of dollars.

Clearance opinions for a product can be pricey because the legal analysis involved in comparing a



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product to the claims of a patent is very involved and time consuming. A patent attorney would also pull the file history of the patent and study it to determine scope of the patent claims.

A clearance opinion is no guarantee that a product will not be subject of patent infringement, and a court may find infringement despite what the opinion says. However, the opinion informs whether a product design should be changed or abandoned. It is also effective as an insurance policy as a product may become a target of (meritless) patent infringement claims. In case a court determines your product does infringe a patent despite a favorable clearance opinion, having such an opinion in hand reduces the chance of being tagged with treble damages and attorney fees for willful patent infringement.

THE FUTURE EXPLAINED

HOW DO I BUY BITCOIN?

Now that you're familiar with Bitcoin, blockchain and smart contracts, you may at some point ask yourself **how to get involved in all of this**.

Because Bitcoin has such a media footprint, more and more people of all ages go to their tellers and ask them to buy Bitcoins. I know my grandma did this in Uzès, a town of 8,000 inhabitants in the south of France. It sounds like everyone wants to join the party—it definitely sounded like a party in 2021—and get a piece of the cake too.

Well, for starters, **banks don't sell Bitcoins** nor any other cryptocurrencies. At least Not Yet. "Do banks sell Bitcoin?" is the third autocomplete prediction when you Google, "Do banks sell". Gold is first and gold bars are second. Grandma isn't alone. The people want Bitcoin. And to get it, they will have to **go through a few hassles**. Please note, I'm not giving financial advice nor telling you that you should purchase Bitcoin.

Want to know why banks don't sell Bitcoins? Well... **It's complicated**. There are **legal, security, and obviously, risk issues**. Bitcoin and other cryptos are alternatives to a country's legal tender. In the US, currency in

circulation amounts to roughly \$2 trillion. Banks know what to do with dollars, they've done it for decades. It's a **well-oiled machine**, and they spend millions trying to maintain their IT infrastructures. Yet some observers find the systems slow, costly and obsolete. And even if my grandma never complains, some of us would agree at least one of these adjectives is true.

So you have to buy your cryptos on what is called **an exchange**, a marketplace if you will, where cryptocurrencies are traded. They're more regulated now and you'll have to go through KYC (know your customer) and **create an account**. Binance, Coinbase FTX and Kraken are among the most trusted and popular. Once done, **you still need good old money** as there needs to be a starting point, right? You'll buy Bitcoins with US dollars. You're likely to buy fractions of a Bitcoin actually. The smallest unit is called a Satoshi and is worth 0.00000001 Bitcoin.

Your starting point will require you **to transfer legal tender from your bank or credit card to your account on the exchange**. And banks don't really like this, as it begins to repre-



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sent a big chunk of money leaving personal accounts.

Once the wire is made, you can trade your dollars for any crypto available on the exchange. According to coinmarketcap.com, at the time of writing this article, there were **470 exchanges** and **18,339 cryptos!** Bitcoin market cap alone is close to \$1 trillion worldwide which is equivalent to half of the currency in circulation in the US.

And in Uzès? Well, **my grandma gave up** when I told her it would be safer to open a **crypto wallet** (covered in my next article). She said she'd wait for her bank to sell Bitcoins. At 97, she has one of the most precious currencies on the planet anyway: wisdom.

LEADING POWERFULLY

SETTING BOUNDARIES TO AVOID BURNOUT

The lines between personal and professional life are blurrier than ever these days, and the burnout rate is soaring. How do you pull yourself back from the brink of collapse? It's time to set some boundaries.

Boundaries are the guardrails you need to be the best version of yourself. Setting clear, healthy boundaries at work and at home isn't selfish, it's necessary self-care.

WHY BOUNDARIES ARE KEY TO AVOIDING BURNOUT

You hear it every time you get on a plane: affix your own oxygen mask before assisting others. The truism applies to every area of life. You can't be an effective leader, collaborator, partner, parent, or friend if your energy is tapped out.

A lack of boundaries leads to mental and emotional fatigue, leaving you with:

- Decreased productivity and performance
- Diminished job satisfaction
- Difficulty setting goals and planning for the future

When you cultivate healthy boundaries, you have the capacity to:

- Perform at your peak
- Be a better collaborator
- Uplift everyone around you

DISCOVER YOUR BOUNDARIES

Boundaries are about more than protecting your time — consider all your inner resources.

- Emotional/mental energy: what activities are draining, and what restores you?
- Physical energy: what leaves you tired, and when do you feel in top shape?
- Autonomy: what gives you a sense of

freedom and control over your life?

- Time: realistically, how much time do you need to rest and nurture yourself?

IDENTIFY EXTERNAL VS. INTERNAL BOUNDARY VIOLATIONS

As you get a sense of your personal boundaries, take stock of both external and internal forces that eat up your time and energy.

Look outward. What people or systems external to you cross the line? For instance:

- A colleague consistently asks you to take on extra projects
- A client expects you to be available at all hours
- A co-worker constantly interrupts you to chat about personal issues

Look inward. How do you violate your own boundaries? For instance:

- Saying yes to extra work you don't have time for
- Volunteering to help in an effort to please others
- Believing things will fall apart if you're not constantly available
- Ignoring your innate need for a break

HOW TO ENFORCE YOUR BOUNDARIES

You can't control what others ask of you, but you can control your response. The key is being clear, kind, and consistent — both with yourself and others.

- Set clear expectations upfront
- Get comfortable saying no! It doesn't have to be harsh, just matter-of-fact
- Master the art of the qualified yes — of-



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Natalie Barron & Lori Tabb are C-Suite Advisors and Executive Coaches supporting clients who want to improve their leadership competencies, become inspiring leaders and deliver better results. They provide 1:1 Executive & Leadership Coaching, Group Coaching, Workshops, and Leadership Retreats.

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fer compromise when you can't outright refuse a request

- Identify when you're most likely to throw your boundaries out the window and develop inner scripts for curbing the impulse

Create systems to stop yourself from getting sucked into abandoning your boundaries, such as:

- Silencing email notifications outside work hours
- Disconnecting your work email from your phone when you're on vacation
- Blocking focus and break time on your calendar each day

Remember, boundaries are your best defense against burnout. With time and consistency, enforcing them becomes second nature. By protecting your time and energy, you'll cultivate the resources you need to be the best version of yourself — and that's the best gift you can give to others as well.

TEAMWORK AND CULTURE

WORKING BETTER, TOGETHER

I basked in the glow of my accomplishment for about a minute before I started to worry. I had done it. I had become the department manager. Through a combination of hard work, ambition, and persistence Motorola promoted me to run power RF marketing. However, I also knew I got the job because no one else wanted to do it.

Where most engineers ran from management, I ran toward it. I naively believed that managing was just another problem to solve. I mean, how hard could it be? Clearly I did not know what I did not know.

I had elevated myself to a managerial position through my individual effort. I knew how to make a contribution and have an impact. The trouble was, I had moved into a role where my personal production mattered little, but the production of my team mattered a lot. I started to feel like I had built my house on quicksand.

Thus began my long affair with helping, guiding, managing, and leading people to work together. For the past 25 years I have been learning how to get smart people to work together well, predictably. I still don't feel like I am very good at it, but I have managed to pull together different kinds of people, to do some pretty ambitious things - from

building an incredible video game launch in 100 countries day and date with the Cars movie, to starting a studio for the Walt Disney Company, to creating a franchise concept that has entertained 10M children. If you want to do something big, a mentor once told me, you need to get a lot of people involved.

Over that time I have learned a lot, collected some tools, learned a few useful techniques, and built some practices that have helped me teach people how to **work better, together**. My goal is to share what I have learned in the hope that it will help you achieve your goals as a manager and a leader.

I have broken down my toolkit into three pieces. Each piece represents a domain of management and communicator. The three areas are:

- Self to Self
- Self to Other
- Other to Other

Self-to-Self covers the practices and disciplines that are foundational to being an effective leader. If you can't take care of yourself, how do you expect to take care of others? **Self-to-Other** focuses on the best practices for working directly with other people. The last part,



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Other-to-Other might be the most challenging and least understood technique of all. Why? Because it is not obvious how you get people to work together better when you are not around. This, of course, is the key to growing, scaling, and eventually exiting your business (even if exiting means taking a vacation).

You can think of each of these as three tools as concentric rings in the circle of influence. You start at the center with yourself, and then you move out, reaching more and more people with each ring. Each week I will write an article to touch on one aspect of this model.

I look forward to sharing these tools with you.

This will be fun!

CREATING STRONG LEADERSHIP TEAMS

HOW TO BUILD YOUR BUSINESS BY IMPROVING YOUR DIGITAL BODY LANGUAGE

My first question for you as a business owner or president: Are you a digital immigrant or a digital native?

If you are like most people born before 1980, you are considered a digital immigrant. Marc Prensky, digital expert, explains that digital immigrants are people who were not born in the digital era (before 1980), and later adopted the new technology.

On the other hand, digital natives are people born after 1980 and are very comfortable using technology, because they grew up using it on a regular basis.

What makes it difficult for most people who are born before technology was so readily available, is they don't know all the rules of digital body language. Unfortunately, they are trying to learn this mostly through the mistakes they make, which makes it even more cumbersome and embarrassing.

What does all of this have to do with running a successful company or organization? Plenty! If you can't effectively digitally communicate with your employees and customers, it can lead to misunderstanding, frustration and disappointing results.

Before you read any further, we must answer two more questions.

What is digital communication?

What is digital body language?

Not understanding what these terms truly mean can make your life more difficult. First let's look at the definition of digital communication.

Digital communication are the activities that transmit messages and information via digital channels, i.e., emails, texts, video con-

ferencing. Most of us are using, and in some cases misusing, these forms of communicating with our clients and employees.

Digital body language is everything we do or say, or don't do and say online, that helps us analyze to understand each other and what we want to do.

One example of digital body language is sending email responses in a timely manner. A 2015 study by the USC Viterbi School of Engineering found that 50 percent of all email responses were sent within an hour. For those sent by people ages 20 to 35, that number dropped to 16 minutes. People between the ages of 35 and 50 typically answered within 24 minutes, and people 50 and older responded roughly 47 minutes later. According to leadership and digital communication expert, Erica Dhwan, "since the study was published, that time is getting notably faster, lowering response times even further, since more of us are using our mobile phones to respond."

Another form of digital body language is how we use texting and instant messaging.

The audience for these forms of communication should be informal. According to the experts, when using it in a professional setting, it is best to write in complete sentences, although you don't have to write out every word.

Find out the best way your clients prefer for you and your team to communicate with them. This will go a long way in keeping communication lines open and preventing misunderstanding and frustration.

Email me to receive the companion exercise to this article that will help you implement the necessary changes in your company or organization to start improving you and your team's digital communication.

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We bring CEOs together for education, accountability and association to improve their businesses and their lives. We provide tools, resources and coaching for already successful individuals to become even better leaders.

We facilitate a half day meeting once a month that includes:

- Continuing Executive Education
- A Focused Business Review
- A review of each company's status on goal achievement using the Strategic Growth Navigator™
- An opportunity for issues to be addressed in the Roundtable
- A completely confidential and safe environment to share information

Between monthly meetings, executive one on one coaching is available.

Each May we hold an All Hands Meeting where CEOs and their management teams gather for learning and mid-year reflection.

Each October is the Annual Planning Retreat where participants set company and personal goals for the year ahead.

If you are tired of being alone at the top, reach out to us for a conversation on how we can work together for you to have a better company and a better life.