THE MONTHLY CEO ADVISORY™

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Dear Friends,

My article this month is a set of ten questions for the CEO. These are thought-provoking, game-changing questions, written not to embarrass or frighten you, but to challenge you.

Questions serve two purposes. The first is to educate you, to put you in a place to learn something you didn't know or think about before. The second is to validate what you already know, which provides assurance. Take these ten questions to heart and act accordingly.

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
- Social Media
- The Revenue Game
- Mergers & Acquisitions
- Business Law
- Intellectual Property
- The Future Explained
- Leading Powerfully
- Teamwork and Culture
- Creating Strong Leadership Teams
- Improving Sales
- Diversity, Equity, and Inclusion

Enjoy all the articles in this issue and thank you for allowing us to be part of your continuing business education, growth, and success. And feel free to pass along ***The Monthly CEO Advisory*** to others in your network. Stay safe.

Sincerely,

Ken Keller

Ken Keller
CEO

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Business Growth Opportunities to Consider in 2022

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

TOUGH QUESTIONS FOR THE CEO

I recently presented to a group of CEOs. Prior to the session, one attendee said the one thing he appreciated most was when a speaker asked questions to challenge him, and he ended the conversation by saying "The more difficult the questions, the more it will help me be a better leader of my company."

Here are the questions I created for that particular CEO but they are good ones to ask any leader in business:

1. You are killed in an accident on your way home tonight from work; who is the first five calls your spouse / significant other needs to make? Have you made the list; do your relations have this list with phone numbers and is it easily accessible? Things happen, be prepared.
2. If there was only one thing you could add, change or subtract in a critical area of responsibility (Just ONE Thing!) that would make a substantial, immediate impact on your ability as the leader of your company to be more successful, what would it be? Be brief answers like "Fix cash flow" or "Find more clients" is the kind of answer that works best.
3. On a weekly basis, how many hours are you, the CEO, actually investing on your answer to question #2? I once coached an owner looking for his eventual replacement. When challenged on how much time he spent on this critical task, his answer was scary: less than ten minutes a week. I'll bet he is still looking.
4. Further on the answer to question #2, what resources or decisions do you need for recognizable improvement to happen? Are there any other limitations that you need to have addressed for this to actually take place? You may need outside help and perspective. It's not at an admission of failure if you don't have all the answers.
5. Who, by name, are the top five employees that you cannot afford to lose? If you think it is a tough job market today for employers, try replacing someone that you must retain.
6. Are your best people focused on your biggest opportunities or on your biggest problems? If you want to grow, you know the correct answer to this.
7. How many poor performers do you have on the payroll and how long are you going to tolerate their performance? I get it; no CEO wants to have tough conversations. That is why you have people that work for you that will handle these unpleasant tasks.
8. Do you have a formal prospecting and customer relationship management (CRM) program? I ask this only because if you do not have something working in this area, you'll be like Hem and Haw in the book Who Moved My Cheese.
9. What area as a leader do you need to specifically become better at and what are you doing to improve in this area? Be specific in your answer.
10. Have you specifically defined and educated your entire team on what it means for them as you work to take your company "to the next level?" Without you providing a vision and roadmap, all your employees will hear is "This means more work for me."

Tough questions? Yes, to get you moving forward.

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

SELLING A CORPORATION

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For those of you organized as a corporation and contemplating a sale of the business, you have two options: a stock sale or an asset sale. The main reason that one would choose one over the other are tax considerations.

Normally, buyers want to buy assets and sellers desire to sell the stock of the corporation. With a C corporation an asset sale will result in double taxation, the assets will be taxed on the sale and the monies coming out of the C corporation will be taxed again. In contrast, if the stock of the corporation is sold there will be one level of tax and most likely the gain to the seller will be treated as capital gain.

The reason that a buyer desires to purchase assets rather than stock is that the buyer receives a basis in the assets acquired in the amount of purchase price that is allocated to the assets. This allows the buyer to receive depreciation deductions associated with the purchase of the assets. In a stock sale the basis of the stock is stepped up to the purchase price of the shares, however, the underlying assets are transferred at the carryover basis.

In a number of sales this disparity of tax treatments can be accounted for in the purchase price of the sale. Further, in theory, one should be able to take advantage of a stock sale by adjusting the purchase price to reflect the future tax burden to the buyer. Also, in a sale of stock the IRS does permit the buyer to elect to have the transaction treated as a purchase of assets, if the buyer pays tax on the difference between each asset's current basis and its fair market value in the year of the transfer.

As mentioned above, the sale of assets most likely will result in a double taxation to the shareholders. However, if the liquidation of the corporation can be delayed it would result in a delay in the recognition of the second layer of tax. This might be contemplated if the corporation is re-purposed to another business or possibly treated as a holding company for future investments. One area of concern in this arena is the Personal Holding Company tax, which will not be discussed in the article.

An area of planning that might be considered if there is time prior to the sale is the conversion of the C Corporation to an S Corporation which would eliminate a portion of the second level of taxation. If you go this route, be sure to get expert tax advice, and have an appraisal done at the time of the change. If this planning route is chosen it is important to take into consideration the "reasonable compensation" issues that could be associated with S Corporation shareholders.

One final area of consideration is that if you are a smaller business being purchased by a larger corporation the Internal Revenue Code has many sections dealing with various methods of reorganization. If this is applicable it could allow a deferral of any potential tax associated with the sale in the short term.

COMMERCIAL INSURANCE

THE WINDS OF CHANGE ARE BLOWING FOR CYBER INSURANCE

The cyber insurance marketplace has been due for a pricing and coverage correction, and in the past six months it got one. The increased frequency of ransomware attacks and other cyber risks since 2016 has prompted insurance carriers to apply minimum requirements on risk controls, even for small enterprises.

Organizations of all sizes seeking coverage are now required to have several cyber security measures in place, provide more details about their exposure, and answer questions underwriters might not have asked previously. Multifactor authentication, endpoint protection, and firewalls are now the bare minimum to obtain cyber coverage. If an organization doesn't have the required cybersecurity measures and internal controls in place, coverage is declined. This change is catching many brokers and their insureds off guard.

THE INCREASED IMPORTANCE OF CYBER INSURANCE TODAY

As recently as 2020, Cyber coverage was a side-show for many organizations when analyzing and renewing their commercial insurance portfolio. Due to the frequency and severity of cyber losses over the past 5 years, that has completely changed. Cyber is now front of mind for Boards of Directors and senior management of nearly every company, in virtually every industry.

CHANGE AT AN INCREASED PACE

To understand why the marketplace has changed, we need to recognize that the nature of cyber risk itself has evolved, and quite dramatically. A decade ago, most cyber claims involved a system data breach, whereas now ransomware is responsible for an ever-increasing number of cyber losses. It's also important to note that the cyber risk environment changes every six to 12 months, and the insurance industry is changing to keep pace. Over the past few years, these top causes of loss resulted in 70% of all cyber claims, and 80% of loss costs for small and medium-size enterprises:

- Ransomware Attacks
- Hackers
- Business email compromise
- Employee Errors
- Phishing

IT GETS WORSE

Adding to the deteriorating risk environment for insurers, all 50 states have enacted data breach notification laws, and several other state, federal, and local statutes, rules, and laws relating to cyber risk and data privacy have gone into effect. These increase the potential that regulatory authorities will expand fines and penalties, increasing cyber risk even further.

THERE IS SOME GOOD NEWS THOUGH

The tools and data available to understand an organization's security profile have improved dramatically in recent years, and cyber carriers are now offering greatly expanded cyber risk support to their insureds. Additionally, underwriters look favorably on organizations that distinguish themselves by exceeding their minimum underwriting standards, often offering better terms and lower premiums at renewal.

YOU CAN HELP YOURSELF

It's critical for every organization to engage their broker and cyber carrier to determine what their minimum cyber security measures are, to implement those measures, and to demonstrate to their underwriter that they have been implemented long before their next renewal. As cyber insurers tighten their underwriting requirements, this will allow your broker to negotiate the best terms possible, in a rapidly hardening insurance marketplace.

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HUMAN RESOURCES COMPLIANCE

EMPLOYERS: WARN YOUR EMPLOYERS TO STOP SAYING STUPID STUFF LEAVE!

Can an employer violate the FMLA even though it *never* denies an employee's request for FMLA leave?

Ask Salvatore Ziccarelli, who we'll call Sal for short. Sal worked for the Sheriff as a corrections officer in my backyard, Cook County, Illinois.

Over the course of 27 years working for the Sheriff, Sal developed a number of health conditions, including work-related post-traumatic stress disorder. Sal took quite a bit of FMLA leave over time, and as of September 2016, he already had used more than two-thirds of the 12 weeks he was allotted for FMLA. So, when he lined up to take FMLA leave yet again, the benefits manager overseeing FMLA benefits *allegedly* told Sal this time around:

You've taken serious amounts of FMLA . . . don't take any more FMLA. If you do so, you will be disciplined.

Ouch. As the story goes, Sal retired days later, and he did what former employees are oft inclined to do — he sued his former employer.

His claim? Even though he was never denied FMLA leave, he alleged that the County interfered with his FMLA rights, which is a violation of the law.

The County made the best argument an employer could under the circumstances: it didn't interfere with Sal's FMLA rights because his FMLA request was not actually denied. He simply elected to retire.

The court noted that the FMLA specifically states in the statute itself that it is illegal for an employer "to interfere with, restrain, or deny" the exercise of FMLA rights. Notably, if a plaintiff had to show a denial of FMLA leave in every case, there would be no point to the words "interfere with" or "restrain."

Interfering with the exercise of an employee's rights would include, for example, not only refusing to authorize FMLA leave, but discouraging an employee from using such leave.

Words or actions meant to restrain an employee from taking FMLA leave now or in the future is enough to support an FMLA claim. Ultimately, a jury would need to weigh whether the manager's words so interfered with his remaining FMLA leave time available by threatening to discipline him for using his remaining FMLA leave.

To be fair, we're only hearing Sal's side of the story on this one. Cook County has denied that the benefits manager ever made the statement attributed to her. But in the meantime, let's identify the lesson here:

Employers, Your Managers Are Killing You. And there is one, simple reason why this is happening: ***You are not training your managers on their responsibilities*** under the FMLA. Please, please, please train your managers on how to effectively and lawfully manage leaves of absence under your personnel policies and the law. Investing a couple hundred bucks now to conduct effective FMLA training will literally save you hundreds of thousands when the real life situation presents itself.

Secondly, what should an employer do in this situation, other than making clear to managers that they must *never ever never* utter the kind of comments alleged here? Robin Shea, offers a good suggestion– send the employee a short letter outlining your discussion and inviting follow-up if the employee wants to use FMLA leave in the future. This kind of communication shows that you take seriously your obligation to administer leave and it undermines any argument by Sal that you were coercing him not to use FMLA leave in future.

Training and authentic communication with your employees — two basic tools to drastically improve your FMLA compliance. JorgensenHR can assist you with FMLA compliance.

Source: Jeff Nowak FMLA Insights

Barry Cohn, CEO
JorgensenHR

I work with top executives of companies with 20-2,000 employees, providing HR solutions including outsourced HR, monthly HR consulting, workplace investigations, and almost everything HR.

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MANUFACTURING EXCELLENCE

PRODUCTIVITY IN CHALLENGING TIMES

Manufacturers are being faced with challenges not seen in quite some time. Rising costs, scarcity of labor and uncertainty in the marketplace. In the midst of this, it may be difficult, but essential to maintain and intensify our focus on productivity.

Productivity can be defined simply as increasing outputs while reducing inputs.

From a manufacturing point of view, increased output simply translates to shipping more product in a shorter period of time. Reducing inputs focuses on reducing capital expenses, labor, material and energy costs per unit produced.

Easily said. And perhaps obvious, but executing on such simple objectives is anything but easy. It requires vision, creativity and leadership.

Let's look at a few examples.

A major impediment to moving product through the factory is machine bottlenecks. The easy answer to this problem is, buy another machine. But that violates the goal of reducing inputs. The manufacturer must become creative in bypassing the bottleneck without increasing cost. Moving a manufacturing operation to an alternative work center can be difficult, but is doable. Machine programs may need to be re-written, tooling adapted to an alternate machine center, staff re-trained and documentation revised. A technical and personnel challenge, but essential if we are serious about productivity.

Staffing bottlenecks are always a challenge, but have become more significant in the COVID era. Manufacturing staff have specialized skills and long experience with the setup, operation and inspection of specific machine operations. This level of specialization is a benefit in delivering expertise, but constrains flexibility.

The technical challenge can be met with cross training, but the human element must also be addressed. Manufacturing operators often fall into a mindset of specialization. They have expertise in a specific operation. They can become defensive and resistant to change. The manufacturing leader must address these human issues as well as the technical ones if staffing bottlenecks are to be overcome.

One of the most significant and actionable impediments to product flow are changeovers and setups.

In a process manufacturing environment (think paper mill), machines must be cleaned, new precursor materials prepared, fed through the system, and operational parameters balanced and stabilized to meet quality and economic requirements. To optimize this process requires the cooperative effort of engineering, technical staff and operators. Effective leaders work with these groups to ensure mutual respect, openness to inputs and "out of the box" thinking. These groups do not always "work and play well together," requiring the support and guidance of the leadership team.

In a discreet manufacturing environment (think machine shop or cell phone manufacturer), changes from one product, style or model to the next can require extensive setup times. To minimize these times, preparation must be made well in advance. The next job must be known and anticipated. All required tooling, materials and documentation need to be organized and validated. The history of the part including programming and process changes, rejection history and any revisions since the last run need to be communicated and understood. To minimize these setup times requires close coordination, mutual support, robust planning and scheduling systems, and a well organized shop floor. Lost tools, missing materials and incorrect documentation can cause expensive delays.

And the list goes on. There are numerous other factors in accelerating production while reducing input costs. These include yield improvements, minimizing rejections, unplanned downtime, maintenance, optimizing process controls, complete and accurate data tracking.

The skilled manufacturing executive is focused on these and many other issues. Especially in these times of wage increases, increasing input costs and limited price leverage, manufacturers must pull out all of the stops to ship more product in less time with fewer inputs.

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INFORMATION TECHNOLOGY

WE NEED TO BE IN THE CLOUD! DON'T WE?

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FOUNDER & CEO

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We get a ton of questions about "the cloud." When is a good time to migrate to the cloud? Should we be using Microsoft 365 for email instead of our on-premise Exchange Server? Can we move our servers to the cloud? Aren't cloud services better?

The answer to all of these questions, as with so many other aspects of IT, is "it depends."

Sometimes, moving to the cloud is relatively easy: other times, it comes with unexpected consequences that can start small but quickly snowball. Every IT environment is different, so you need to incorporate a strategic view as well as the technical one.

Before the pandemic, the main business interruption everyone here in Los Angeles considered was earthquakes. The thought at that time was that this would be some temporary interruption and then we'd (literally) pick up the pieces and get back to work. Who would have thought we'd have to deal with what a global pandemic brought?

Because of this, the remote Work From Home approach has become the standard for most of us. And the cloud HAS to be part of this discussion.

While the cloud delivers a range of benefits, there's one benefit that outshines all of the others: the ability to work from anywhere accessing your documents, applications, and files.

A couple of things to keep in mind when we talk about the cloud:

- The cloud is merely someone else's computers.
- The cloud is more than one thing - there's hosted applications (SaaS), there's hosted servers (Azure), there's hosted email and Office (Microsoft 365), there's hosted file services (SharePoint), there's hosted Active Directory (Azure AD), there's hosted phone services (VoIP), and more...
- The cloud offers incredible resilience from disasters, outages, and yes, pandemics…

The good news is most organizations are already in the cloud to some degree. From email hosting, to Microsoft Office 365, to VoIP phone systems, to hosted cloud applications - one way or another almost everyone has some portion of their technology in the cloud. This is what's known as a "hybrid" approach - some pieces are in the cloud and some are on premise.

However, don't forget that moving to the cloud also means integrating the appropriate cybersecurity controls into the discussion as well. Regardless of where your computing resources are housed (and who they're served up by), this is a key component that's too often overlooked. Trust, but verify as they say.

As a reminder, some of the benefits of leveraging "the cloud" include:

- Increased data accessibility
- Increased business continuity
- Agility and scalability
- The ability to pick and choose the resources you use (and to relinquish unnecessary ones)
- Decreased initial capital outlay
- Fixed monthly costs

Naturally, these benefits do come at a cost. When you've already invested in on-premise server infrastructure, your ongoing costs appear far less (because you paid for them up front). When you move to the cloud, now all of a sudden you have an additional ongoing monthly fee. This means that sometimes the ROI is hard to justify. Hence the answer "it depends" that we started with.

In addition, the difficulty in realizing cost savings is that the smaller your business is (in the number of users) the higher the ongoing per user cost is. This is why we still see so many businesses with a hybrid approach to the cloud.

While "the cloud" isn't the end all be all panacea it's all too often touted as, there's no question it does provide significant value as a piece of your IT solution pie. At the same time, it's hard not to have at least some facet of your IT in the cloud.

Which, again, brings us back to the initial question - "should we be in the cloud?" And again, it depends.

CFO Insights

CLOSING DAY

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

It's been a long and stressful road, but Closing Day is finally here. Today you receive the big check and turn over your business to the buyer. If Closing Day goes well, it will be a bit anticlimactic relative to the roller coaster you have been on the last few months. However, there are a few things still to be done.

There will be several documents to be signed. The two primary documents being the bill of sale and the closing statement.

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I provide strategic, financial, and operational advisory services to the owners of privately held businesses. My goal is to help business owners achieve their success, as they define it.

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The bill of sale is the final agreement evidencing the transfer of the business. The closing statement provides detail on the amounts and distribution of funds. It is typical that there are expenses that will be paid from the sales proceeds. There may also be escrowed amounts. The following table will provide an example of these payments:

CALCULATION OF PAYMENT AMOUNT

Description	Amount
Closing Payment	$15,000,000.00
(Non-Compete Amount)	($10,000.00)
(Tail Insurance Premium)	($30,000.00)
(Investment Banker Fee)	($500,000.00)
(Escrow Amount)	($700,000.00)
(State Filing Fee)	($500.00)
(Working Capital Amount)	($200,000.00)
Payment Amount	$13,559,500.00

The closing statement will also detail who the recipient of each of these payments will be made to, the amount and the payment instructions (wire transfer, etc.)

Congratulations. The documents have been signed, and the bank has just provided notice that the sales proceeds have been received. You have just completed a successful exit from your business. So how are you going to celebrate? Pop the champagne. Book that bucket list vacation.

Tomorrow you will probably be back in the office. At minimum you will likely help with transition. You may also have a contingent sales price where you will be working to achieve the businesses objectives for the next few years.

If you will be working in the business for only a short period, now is the time to start figuring out your next stage of life and putting those plans in place. Many sellers go through sellers' remorse because they get bored. You have spent a significant portion of your life running a successful business. That is now in the past. Determine what will fulfill you in this next stage and execute on it.

If you will be working in the business for a while, remember, it will be different. You are now going to have a boss. You are probably not used to that. The new owners may want to make changes which you may not necessarily agree with. They may also not always agree with your ideas. That is their prerogative. Remember, the reason you continue to work in the business is to maximize the ultimate sales proceeds. Continue to influence the new owners so that you achieve your objective. Then start planning your next stage of life.

This is the final article in the Selling Your Business series. I hope you have found them informative. If I can be of assistance in helping you plan your exit, please give me a call.

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.

SOCIAL MEDIA

IMPROVE YOUR SOCIAL MEDIA ADS FOR GREATER ENGAGEMENT

Social media ads are an effective way to advertise your business and increase the number of people who see your products or services. But it's important to take the proper steps to set your ads up for success!

FACEBOOK ADVERTISING

If you want to take advantage of Facebook ads and their ability to target users based on their location and their interests, you'll need to learn how to create an optimized ad.

Target the Right Audience

If you want people within a certain demographic to see your ad, think about which audiences align with your brand and the message you want to get across, then target them specifically.

Write an Effective Ad Headline

Your ad headline is what users will see before they even click on your ad, so it needs to be effective and enticing enough to convince them that what you have is worth their time.

Use Relevant Images

Images allow you to express ideas visually and grab attention when scrolling through newsfeeds, so make sure they are both relevant and eye-catching enough to get potential customers clicking!

Link to Your Website

If you have a website, then it makes sense to include a link to it in your ad so viewers can click through to learn more about your brand or buy what you're selling.

Use a Call-to-Action Button

A call-to-action button is used to prompt users to act—whether it's visiting your page, making a purchase or leaving feedback.

INSTAGRAM ADVERTISING - STORY ADS VS. FEED ADS

Story ads show up as full-screen images in between users' Stories. These cost slightly more than regular ads, but they have a greater chance of being viewed on their own merits – and they are easier to click on. Story ads look less like your typical ads which sparks interaction. You can even target these ads by a hashtag or location, making it easy to get specific about who sees it. All things considered, story ads are likely to be more effective for engagement.

Feed ads take advantage of Instagram's sponsored post format and appear in between your friends' public posts to help target a wider audience. Make sure that every aspect of your ad reflects how engaged and active your brand is online so that people will want to follow along with everything you do on social media.

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ANALYZE RESULTS

After running your ads, check your results and make any necessary adjustments. What worked? What didn't? If you're getting clicks but low engagement, try reconsidering your ad copy or targeting. Use different types of ads like video ads or product listing ads if they align better with your brand. The more data you have, the more you can optimize your campaign.

In addition to tracking demographics and interests, advertisers can create custom audiences based on customer email lists, which allow you to re-target people who already know about your brand. This is just another great way to drive sales directly from ads!

Take charge of your marketing efforts by spending your ad dollars where you know your ads will be seen. Need help knowing where to begin? Call Social Spice Media at (805) 482–8312 today to get started.

THE REVENUE GAME

THE 3 REVENUE GENERATION STEPS FOR YOUR BUSINESS

The world is full of so-called experts who are more than happy to tell you what to do.

You could be minding your own business on a plane when someone sitting nearby decides to give you advice on how to solve a problem. Similarly, there is an endless supply of how-to books, websites and videos that promise to give you the right method for accomplishing your goals.

With so many learned individuals pointing you in the right direction, you cannot go wrong — right? Think again.

Consider, the advice you may have received from someone about how to generate revenue in your company. The closer you get to applying that approach to your company, the more likely you will discover that the approach is wrong for your situation, industry, or client.

Here is the thing: Wrong often is more about the context than the content. In all fairness, your advisor's approach has worked for them, in the unique context of their business, at least the last time they tried it.

The same could be said of family dynamics. As a parent, there is nothing more important than how you communicate with your children. Parents of toddlers will proudly give you wonderful communication tips that worked for them. Those raising teenagers will share approaches that proved successful — and, doubtless, many that did not. But what happens when you apply their well-meaning wisdom with your kids? If only kids (or parents, for that matter) were identical - you would be all set. That is true of businesses as well.

So why do we think that there is only one size, process, cold-calling script or set of keywords that always leads to revenue generation?

Revenue generation requires a context. Your context has your tools, methodology, language, metrics, environment, and discipline — that achieve your outcomes. You need this context to confirm strategy and suggest adjustments that ensure the best possible long-term outcomes.

The difference between winning consistently and intentionally vs. occasionally are your context and these three steps:

1. **Think first.** Diagnose the context and concepts of revenue generation in your specific world of buyers and sellers based on Revenue Science™.
2. **Say to yourself and your team what you believe is the best way forward.** Get agreement from internal and external teams on how to best achieve the strategic outcomes based on context and answering the ***5 Revenue Strategy Questions.***
3. **Do what you think is best.** Follow through on what you have thought and shared. If actually "doing" the work modifies your thinking, repeat this process over and over and over until you align the execution context and your ***Revenue Strategy*****.** This way you take advantage of fresh learnings in the right context.

The bigger the organization, the more important it is to have these three steps encased in a repeatable discipline. Too often, firms measure short-term activities that have little or no reference to your ***Revenue Strategy***, context or the concepts that are driving strategic outcomes.

Now you know to keep repeating the 3 steps, to get better and better long-term growth.

Rick McPartlin

CEO, The Revenue Game® LLC

If you want predictable CRO outcomes (sales and profit growth) reach out. You and your team will be certified in CRO Thinking. Everyone will speak the same language, work on an aligned Revenue Strategy and "Live a Revenue Culture".

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BUSINESS MERGERS & ACQUISITIONS

THE TOP SIX SELLER M&A MISCONCEPTIONS

Last month we looked at the number one reason why M&A deals die—poor financials. Now we'll explore common seller misconceptions about the M&A process that can lead to costly mistakes:

Seller Perception: "Buyers will value my business based on its potential."
Reality: For most established businesses under $50M in revenue, buyers make offers based on past performance, which they will see as the most likely indicator of future performance. If you couldn't capitalize on this "potential," why would a buyer pay you at closing for earnings you were unable to generate?

Seller Perception: "We have a signed LOI. The deal is as good as done."
Reality: A signed letter of intent (LOI) is a significant step towards closing, but the deal is far from done. For a seller, due diligence is often the most challenging and stressful stage of the deal process. Your deal team will help you navigate the emotional peaks and valleys, but brace yourself—this is the phase where "most deals need to die three times before they can be completed." Your leverage as a seller is highest before the LOI is signed. Afterward, the bidder who had previously been courting you now engages experts to find items to justify a price reduction, sometimes to the point where their findings or attempted renegotiation kills the deal.

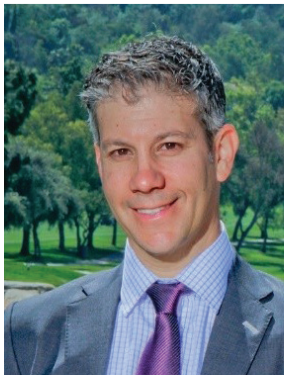
Seller Perception: "My business will be valued on a multiple of revenue."
Reality: Unless you have compelling IP or generate substantial recurring revenue, most businesses under $50M in revenue are valued as a multiple of cash flow or EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization). While there are certainly exceptions, most businesses between $5M–$50M in revenue sell for four to eight times EBITDA.

Seller Perception: "I don't want to sell to private equity, as they will gut my company."
Reality: PE firms want to continue an acquired company's previous success, so they are mindful of the team and strategy employed by the seller. If anything, PE firms tend to increase staff, as departing business owners frequently played multiple roles in the business. PEs are often ideal buyers for businesses generating at least $1M EBITDA, because they are experienced, well-capitalized, can move relatively quickly, and can offer sellers significant upside.

Seller Perception: "I don't need to run a process—I already have a buyer."
Reality: You know your business better than anyone, so you may assume you know your perfect buyer. However, you may not realize that several potential buyers could end up competing to buy your business. Fixating on one buyer/type limits your options. Having an M&A advisor target an expanded buyer pool will increase your probability of a successful sale and create leverage. When you have only one buyer in play, that buyer feels no pressure to keep the process moving or pay a premium. I commonly say, "When you have one buyer, you have no buyers."

Seller Perception: "I can sell the business myself."
Reality: As an entrepreneur, you successfully negotiate with suppliers, customers, and employees all the time. However, selling your business is very different. On the other side of the table is likely a professional buyer who has completed several dozen transactions. Without the support of experienced M&A team, the cost of making a mistake or the amount of value left on the table can be substantial. The fees associated with your deal team (M&A advisor, attorney, and CPA/CFO) can seem high, but they will pay for themselves (often many times over) by the end of the process in terms of the additional value they bring. Just as your surgeon, pilot, or electrician would tell you, sometimes you need to trust professionals.

As you consider selling your business, we encourage you to speak with us. Kinected Advisors has an 84% success rate in our transactions, well above the 20–30% industry average. We can help you get the best possible deal for your business.



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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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HOME-BASED BUSINESS? HERE'S WHAT YOU NEED TO KNOW

Now more than ever, people are starting businesses from their homes. Here are some things to know about starting a California home-based business to protect yourself and set your business up for success.

1. FIRST, MAKE SURE IT'S ALLOWED.

Some HOAs, leases, or deeds restrict your ability to start a business from your home. Check this first.

2. YOU STILL NEED A LOCAL BUSINESS LICENSE.

Even if you're just a casual sole proprietorship, if you're doing business, you're required to get a local business license in the city or county your business is located. If you're working out of your home, that means you need a business license in your home city.

To find out how, do a web search for "business license [your city]" and your local government office, usually the city clerk, should pop up with more information. Occasionally, a city will not require a local permit, but this is rare, so make sure to double check!

3. YOU'LL NEED TO PASS A ZONING CLEARANCE.

As part of your business license, the city will verify that you're allowed to run your type of business at your address based on your home's zoning category. Most of the time, if your business will not have customers on the premises, you will likely have no problem getting zoning clearance. However, depending on your home's zoning category and the type of business you're running, the city might not want to give you permission to do business there. If you do not pass the zoning clearance, consider talking to a lawyer to see if they can help.

4. YOUR ADDRESS MIGHT BE PUBLIC RECORD.

If you're starting an entity like an LLC or corporation, the formation documents you file with the Secretary of State are public record. This means if someone looks up your business's paperwork, they'll be able to see your home address. To make matters more difficult, the Secretary of State prohibits the use of PO Boxes for business headquarters addresses. If you, like many people, aren't comfortable having your address be public record, you might need to get an alternative address such as a compliant digital mailbox or a coworking space. This, of course, adds cost, so it's up to you whether that extra expense is worth it.

If you're an entity like a sole proprietorship or a general partnership, you don't have to file public records with the Secretary of State, so it's easier to avoid this problem. However, other documents or licenses may still make your address public, so keep this in mind when you're choosing whether to use your home address as your official business address.

5. YOU MAY NEED ADDITIONAL PERMITS OR LICENSES.

Depending on the type of business, you may need additional permits or licenses. For example, if you're starting a home-based food business, you might need to comply with Cottage Food Operations rules. Likewise, home daycare centers require stringent licensing. If you're selling goods, you'll need a seller's permit. If you want to post signage, there may be rules, restrictions, or permits required. And certain businesses may require an inspection from the fire department or health department. Visit https://www.calgold.ca.gov/ to check for licenses your business may require.

INTELLECTUAL PROPERTY

TRADE SECRET OR PATENT PROTECTION, WHICH IS BETTER?

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There are two primary options for protecting an invention or process: obtain a patent and/or keep it a trade secret. Patent and trade secret protection for the same aspect of an invention are mutually exclusive, and that factors into deciding which is most effective for gaining commercial advantage over competitors.

It is possible to obtain patent and trade secret protection for different aspects of an offering. For example, a patent can cover a chemical compound while the process of making the compound can be maintained a trade secret. However, this may not be possible for many offerings.

Deciding on which route to choose (or both) is a business decision. If making, selling or using an offering publicly requires revealing confidential information about the invention in it, then to combat reverse engineering, it may be better to patent the invention than attempt to keep it a trade secret.

Further, to preserve the right to apply for an obtain a patent, it is important to file a patent application before an invention is publicly disclosed, sold or offered for sale (there are some grace period exceptions, but these are full traps for the unwary). One option is to file a provisional patent application (which remains secret), while investigating viability of an offering without publicly disclosing trade secrets. A provisional patent application provides an effective filing date for a later filed nonprovisional patent application within a year, if patent protection is pursued rather than trade secret protection.

If the lifecycle of a product or process embodying an invention is short, then trade secret protection may be a better option because obtaining a patent can take time. However, a patent in hand is a strong indication to competitors that a company is serious about protecting its intellectual property. This also provides investors and others in a business relationship with the company a tangible way of protecting their interests

Patents offer a limited term of about 20 years of protection though, whereas trade secrets can provide indefinite protection so long as maintained secret. To be a trade secret, information need not be innovating as required by patent law, only that: (1) it is kept secret, and (2) the secrecy provides a commercial advantage.

However, establishing and maintaining trade secret protection procedures are expensive and extensive. Case law is replete with courts holding that lapses in a systematic trade secret protection plan waived trade secrecy. These procedures include processes for determining what is a trade secret, security measures to prevent their disclosure, ongoing training of employees, location of the trade secret information, internal security measures, restricted access, logging access, confidentiality policies and training, non-disclosure agreements for third parties, marking trade secret information as confidential, gatekeeping to prevent inadvertent disclosure of trade secrets such as in marketing, regular trade secret audits, etc.

If trade secret protection is not deemed suitable, then it is prudent to obtain patents to protect inventions and business processes. Intellectual property strategy and planning is an extremely important aspect of business operations. An experienced intellectual property attorney can identify your intellectual property, analyze your business objectives, devise a strategy for best protecting and monetizing that intellectual property with a budget. The earlier this is done, the better, but it is almost never too late.

THE FUTURE EXPLAINED

IN SCIENCE FICTION WE TRUST... UNLESS WE DON'T

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The planet is now going through an unprecedented energy crisis. Global warming has had disastrous consequences. Lots of people have migrated, social problems and economic stagnation are making the rich richer and the rest living in stacked trailers. Does that sound vaguely familiar to you? If it does, it could be that this description of our world in 2045 resembles way too much the one our children could be living in. To escape their crappy lives, our children play "The Oasis", using virtual reality headsets and body suits designed to maximize their immersion and make them feel the heat, the cold and the punches. In a nutshell, they play a video game online. This is the story of "The Oasis" a 2011 sci-fi novel by Ernest Cline, adapted by Steven Spielberg in a 2018 movie: "Ready Player One".

Well in 2022, it turns out that we call this a metaverse. Bare with me here. The media wants to get you confused and they sometimes talk about "THE" metaverse as if there was only one. As if it was a destination. Monday, you're driving to the supermarket and Tuesday you're driving to the metaverse. Wednesday you're going to the movies. And Thursday you're going to the metaverse again.

Don't get fooled by this definition, the metaverse, the one and only, doesn't exist. There might be several metaverses, and it's just another world for video games. Pretty much. With very few exceptions, a metaverse is a video game. That's it. Now why don't we call it just what it is then?

Well because every once in a while, humans like to attach new words to an old concept.

"Virtual reality" (or VR) used to be employed instead of metaverse. The word "metaverse" in itself wasn't on anyone's radar until Facebook rebranded to Meta, in October 2021, explaining that the company will build "the" metaverse. Message problem again. But knowing that they own the VR headsets maker Oculus and that they had a huge image problem, they killed two birds with one stone here.

Remember, we're only talking about video games here, right? Some of these games used to be called "parallel universes" or "virtual worlds". But wait, where did it come from then? Using "the metaverse" instead of "a video game"? A look at wikipedia will help here, as the free encyclopedia describes the metaverse as being an "hypothetical iteration of the Internet as a single, universal and immersive virtual world that is facilitated by the use of virtual reality (VR) and augmented reality (AR) headsets." Please note the word "hypothetical" here. As in "It does not exist". Yet. Thus Mark Zuckerberg willing to build it… Or just divert our attention to something else than data breaches, fake news, and moderation problems. I'm making an hypothesis here…

In web3, persistent online video games with three dimensional gameplay where you can pick your avatar (role-play) and buy accessories (with crypto-currencies) that are authenticated on the blockchain as NFTs and might have a real resale value, well, such video games are sometimes called metaverses. Even those playable without VR headsets. I guess not everyone believes in Mark.

LEADING POWERFULLY

LEAD WITH CURIOSITY, COACH FOR IMPACT

Corporate culture is evolving every day, and today's changemakers need more tools in their leadership toolkit than ever before. It's become increasingly clear that it's possible to be an impactful leader without wielding old-fashioned authority. In fact, the most powerful leaders today lead with influence.

Influential leaders don't need to lean on titles or traditional hierarchical structures to make an impact. Instead of taking a "because I said so" approach to leadership, you can show up with authenticity, cultivate co-creative relationships, and guide decision-making by taking on a coaching mindset. That doesn't mean sacrificing professional boundaries or lowering expectations — on the contrary, the coaching role requires even more enforcement of both.

A coach is not a therapist, a friend, or a consultant. It's imperative to understand the differences when impact is your goal.

A THERAPIST:

- Is a licensed mental health professional that evaluates, diagnoses, and treats people with emotional and mental-health challenges
- Typically, the focus of therapy is to help people cope with current life challenges through helping them make connections with their past

A FRIEND OR COLLEAGUE:

- Is interested in an individual's outcome, but may have their own agenda and unconscious biases; their view of any issue is subjective

A CONSULTANT:

- Is a subject matter expert in their chosen niche who develops and helps implement solutions to specific problems within a limited timeframe

These roles each fulfill specific and legitimate needs, but none present a sustainable leadership model for long-term impact.

A COACH:

- Is focused on helping others define and reach their goals
- Leads with curiosity by asking thought-provoking, objective questions that may reveal potential blind spots
- Guides team members in transforming ideas and goals into real outcomes
- Empowers individuals to continue improving long after coaching is done
- Fosters co-creative relationships and encourages accountability

The collaborative, curious mindset of a coach can open up worlds of possibility. By engaging with your colleagues from a coaching mindset, you create robust systems of accountability, an atmosphere of trust and support, and insight into new and diverse perspectives for both you and your team. You also empower sustainable growth for your team: instead of being an authority who must constantly have the answers, you ask powerful questions that enable others to take ownership and initiative to find innovative solutions.

And the power of a coaching mindset goes both ways. When you open yourself up to receiving coaching from others, you expand your perspective and enable ongoing growth. Coaching can come from all kinds of sources — your peers, mentors, and even those who report to you. As a matter of fact, a core component of our work as leadership coaches is helping leaders embody a coaching role themselves for more impactful and influential leadership.

Authority does not make a leader — impact does. Time and again, we've seen how a coaching mindset can make every interaction more effective, engaging, and productive. Curiosity and collaboration build lasting relationships, and at the end of the day, that's where meaningful impact happens.

TURN INSIGHT INTO ACTION

Powerful question: In the next week, when will you take an opportunity to engage in a coaching conversation instead of telling someone what to do?

Natalie Barron & Lori Tabb

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TEAMWORK AND CULTURE

WORKING BETTER TOGETHER, EXPECTATIONS

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WORKING BETTER TOGETHER: EXPECTATIONS

It seems the advice to "manage expectations" has become a euphemism for breaking disappointing news, but it doesn't have to be. It is possible to skillfully set expectations and avoid disappointment. The key, according to Brené Brown, is to know there are two types of expectations; the ones we know about, and the ones we don't. Brown calls the latter **unexamined and unexpressed expectations**. These hidden preferences take skill to uncover and shape.

The problem with unspoken, unobserved expectations is that we're usually *unaware* of them. We form a picture in our mind how things will go. Speaking our expectations aloud can sound self-centered. Silence, however, creates a gap for teammates. No matter how long two people have known each other, they still can't read each other's minds. Trust is wonderful until unspoken expectations lead us to disappoint each other.

There are two simple tools that can mitigate unnecessary disappointment. They work because they allow us to both *examine and express* expectations. Both tools are questions, and the first is called **The Tansformation Question**. The second is **Expectation Checking**.

THE TRANSFORMATION QUESTION

The transformation question is said like this; "When this project is over and we look back on it, what must happen for our work to be a success?" Brown calls this "painting done." When we share our pictures of what success looks like, we begin to define and express our expectations. By including everyone in the conversation, no one feels singled out for asking for what they need.

EXPECTATION CHECKING

The second tool uses another open-ended question, but it uses the power of working in groups a little differently. We all need help us finding our blind spots. For example, I *always* bring too many gadgets on vacation. My wife will ask, "When are you going to use (fill in the blank)?" She gets me to talk about my plans. That leads me to face my wild optimism. I won't have nearly as much free time on our trip as I imagine. Another way to ask this question is to point at an incongruity and say, "Tell me about that."

It takes trust to have these conversations, but they can save so much frustration. Making the effort to manage expectations is not about *controlling* someone elses preferences. It is about coming to a shared and realistic view of what is likely to happen. When we can examine, and express what we hope will happen, we clear out the iceburgs that can sink great teamwork. Effective management of expectations amplifies teamwork. Great leaders find a way to "Paint Done" for their teams, and they empower their people to ask, "tell me about that". When we have clarity and a common vision, we can do more than avoid disappointment. We can engage in work that is *meaningful and satisfying*.

CREATING STRONG LEADERSHIP TEAMS

THREE BLUNDERS EVERY LEADER MUST AVOID – PART 1

One of the best ways for a CEO, president, business owner or leader to earn employee mistrust is to continually make any or all of the following three blunders.

- Don't admit when they make a mistake.
- Don't apologize when they have offended someone.
- Don't answer an employee's request for clarification or more information.

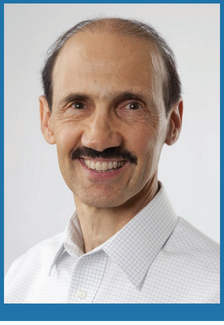
I can't tell you how often I have personally observed people in leadership positions commit these errors. The unfortunate part about this quandary is that they are digging a deeper ditch, making it all the more difficult to crawl out of.

Let's take a look at each one of these mistakes and see what can be done to prevent them from happening in the future. This begins to rebuild a leader's trust factor.

Blunder #1: Leaders who don't admit when they make a mistake

This is an easy faux pas to commit because many times the person making the mistake doesn't realize he or she has committed it. Like a major league baseball umpire who misses a call, he doesn't realize it, but the 30 thousand fans know it. When it is confirmed during the video replay on the huge scoreboard, it becomes clear as day for everyone to see.

Fortunately, Major League Baseball (MLB) now allows the instant replay to allow league officials to review certain types of plays in order to determine the accuracy of the initial call of the umpires on the field.



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What about you in your company or organization? Do you have a system to reverse bad choices, or mistakes you or your leadership team have committed? If you don't, you may want to institute one. Why? Because when you make a mistake and don't admit and correct it, you are building a case for mistrust.

You and I are the same way. When someone we know makes a blatant mistake and refuses to acknowledge it, we start to mistrust the person. Our rationale is if they can't see the truth, how can they be trusted to speak the truth in other similar situations?

The solution is a simple one. As Dale Carnegie once said, "If you are wrong, admit it quickly and emphatically." You can't go wrong by following this recommendation.

There is one more point to make, as Carnegie suggests: admit it as soon as possible. The longer you wait the less it means when you finally admit it.

Blunder #2: Leaders who don't sincerely apologize when they have offended someone

In their article in Forbes magazine titled, *Creative Leadership Humility and Being Wrong*, authors, Doug Guthrie and Sudhir Venkatesh, share the importance of the positive power of admitting and apologizing for one's mistakes. In the article they point out the following:

"We are frequently taught that leaders, especially aspiring leaders, should hide weaknesses and mistakes. This view is flawed. It is not only good to admit you are wrong when you are; but also it can be a powerful tool for leaders—actually increasing legitimacy and, when practiced regularly, can help to build a culture that actually increases solidarity, innovation, openness to change and many other positive features of organizational life." (This article will be concluded next month).

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IMPROVING $ALES

HOW TO SELL MORE BY "SELLING" LESS

Today, prospects want solutions for needs; cures for "pain." When they perceive that's what they are getting, they love to buy. To achieve those outcomes, prospects need to be heard, listened to, and understood.

Why do sales reps pitch "solutions" that might not even begin to solve a real problem? Is it because it's always been done that way, regardless of poor conversion rates? Or is it simply the notion that sales reps sell things and selling requires hard-core "selling!"? Today's better-connected buyers have so much information about choices and options, old-school sales methods tend to fail more often than they succeed. The status quo means status "no!"

It's time to change: your philosophy and your approach!

TIME TO CHANGE YOUR SALES PHILOSOPHY

Sales used to be a baseline numbers game: the more prospects in the pipeline and the more cold calls made, the better. But today's numbers game is more concerned with conversion rates, average sale, and cost of client acquisition.

To optimize conversion, know that cold calling is pretty much dead. Buyers are well-informed and can access reviews, ratings, and competitor details during your pitch! Cold calling has long had a notoriously low conversion rate. After all, you're attempting to sell something without first learning if there's a need your product or service. Good luck!

Regarding adding prospects to the pipeline prospects, many companies still ask their sellers to cold call. That is "much easier to do" than executing a multichannel, multi-step sequence of contacts that generates appointments with interested prospects. In other words, choose quality over quantity if you want to sell more and sell better! No shortcuts!

TIME TO CHANGE YOUR SALES APPROACH

It's equally important to change your tactical approach to selling.

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Choose serving over selling; use a servant leadership approach and go the extra mile with each prospect and client. Sure, this requires extra time, but if you have fine-tuned your pipeline to connect with fewer but better prospects, you'll have time to offer good-fit solution, build stronger long-term relationships and bring value.

As for the sales process, ditch the pitch. Every conversation is about the prospect. Learn their needs. Start a journey of discovery. Show curiosity. Remember that empathetic listening leads to understanding; which leads to curing the prospect's pain and making the sale. What's more, the real objective

DIVERSITY, EQUITY, AND INCLUSION

WHAT IS DEI AND WHY DOES IT MATTER?

Leaders have been reading about the importance of Diversity, Equity, and Inclusion (DEI). Many have begun the difficult task of structuring DEI within their organization, but some are finding that traction appears limited due to factors seemingly outside their control, including lack of "diverse" candidates, budget, training and retention limitations, and limited follow thru with DEI initiatives. But simple shifts can begin the DEI culture integration with your existing staff.

WHAT IS DEI?

DEI is more than race relations. Although race is a component, diversity also includes diversity of thought, feeling, and experience and should also include age, gender and gender identity, political affiliation, religion, disability, veteran status, socio-economic status, sexual orientation, and bias. Equality and equity are often confused as the "E" in DEI. Equity is taking account of limitations of individual employee experiences and adjusting to provide resources so that all employees receive a fair and impartial experience within the company. Inclusion is bringing it all together by creating a self-sustaining culture where people are respected, heard, and feel as though they fundamentally belong regardless of differences.

Your employees' thoughts, feelings, and experiences are your major challenge to manage. The goal of DEI is to develop processes that support the desired experience you'd like your employees to have within the daily work culture. There are a few things you can do as a leader to begin building the system now.

WHY DOES DEI MATTER?

- Financial performance. McKinsey & Company found that ethnically diverse companies are 35% more likely to have financial returns above their respective national industry medians. Gender diverse companies are 15% more likely to outperform their respective national industry medians.
- Innovation and growth. Harvard Business Review found that diverse companies are 70% likelier to capture a new market, and 45% more likely to report increased market share year-over-year.
- Increased employee engagement. 83% of millennials report being actively engaged when they believe their company fosters an inclusive workplace culture.

Eric Johnson

INSIGHTED

Eric is a DEI Director and certified Inclusion Coach and Consultant supporting organizations that want to build DEI into their company culture. Insighted offers leadership workshops, coaching, and speaking engagements on challenging topics related to DEI such as age, race, gender, religion, sexual orientation, and more.

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WHERE DO YOU START YOUR DEI CULTURE SHIFT?

Without buy in from leadership, limited traction will occur. As with most company initiatives, culture impact needs leadership to embody any changes and constantly communicate, and reinforce, why it is important and what success looks like. Executives should start by agreeing on what DEI is to their organization and openly discuss why it is important as much as possible day to day.

IT IS IMPOSSIBLE TO MEASURE HOW PEOPLE THINK AND FEEL?

Yes. The first measurement tool all leaders have at their disposal is the ability to ask their employees how they differ from each other. This can be done as part of on-boarding or thru various software specializing in DEI tracking through interviews, surveys, education, and engagement scoring.

HOW DO I FAST TRACK DEI EFFORTS?

Successful leaders do this by attaching the same accountability as they would in other important aspects of growth. Accountability must be tied to performance as it relates to DEI initiatives for maximum traction.

You can begin the work of discovering current diversity by simply committing to asking. Your culture shift won't happen overnight, but it will happen with your firm commitment.

Strategic
Advisory Boards™

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 faciliate 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 achiement using the Strategic Growth Navigator™
- An opportunity for issues to be addressed in the Roundtable
- A completely confidential and safe enviornment 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.