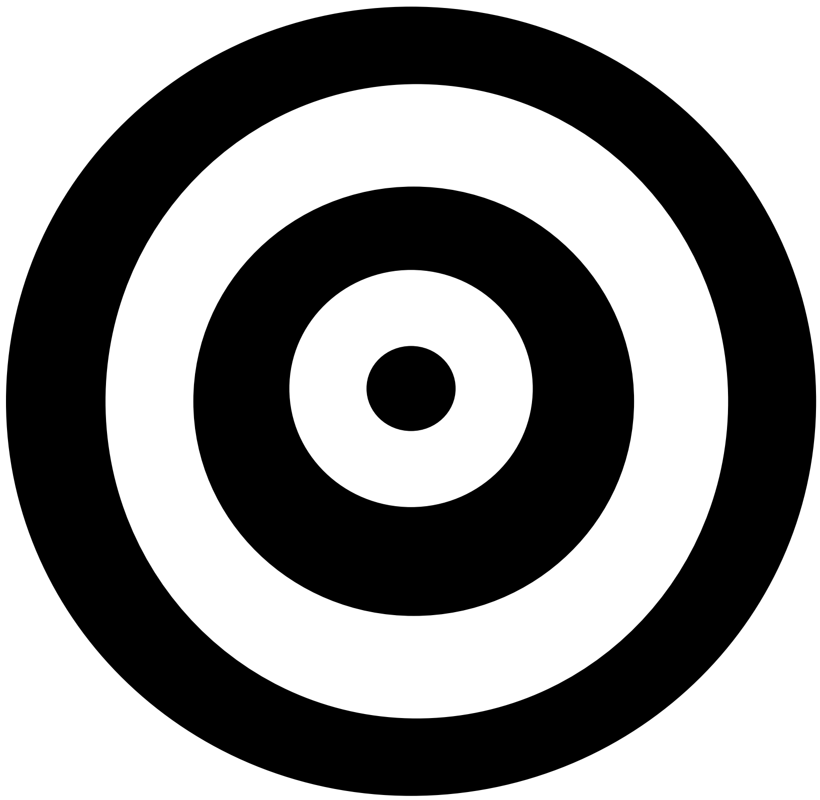
The CEO Model

E-book



"Build a business and enjoy your life"

"Building a business doesn't require sacrificing your personal life"

Dedication

This e-book is dedicated to the Velanoff family, loving spouse, Kristina and their 4 children, Tara, Kristen, Anita, Eric and to Harry James, co-founder CEO Model. Special recognition to past business partners Steve Talosi, Gary Talosi and Leigh Hogg, who bought in and loyally supported our vision. The partners participated in the creation and evolution of a CEO Model Consolidator business that sold for one of the highest multiples in their sector of the financial service industry.

Table of contents:

Origin of the CEO Model

The CEO Model has been around for over 20 years. It was first developed when two close friends and business associates met for lunch to discuss the progress of Harry James and his financial services business. Dave Velanoff was the CEO of a financial services franchise company. Harry James was a highly proficient Financial Advisor and owner of the franchise in Markham Ontario. Both were long time close friends who had a business relationship and vested interest in growing the Markham franchise.

During a casual luncheon conversation, Velanoff complimented James on how he had successfully taken his business from a start-up venture to a cash rich, high powered operation. James appreciated the recognition, but he noticed a concerned look on his friend's face, so he inquired, what's up? Velanoff said that he was concerned that James was working very long hours and that he would eventually become frustrated with the lack of family time. He was also concerned that Harry could become bored and want to diversify his energy into other areas of entrepreneurship. James agreed that he was already thinking about building other assets including a real estate portfolio.

They both pondered the dilemma and concluded that in order that James could achieve his longer term goals and gain back his highly valued family time, he would need to restructure his financial services business and convert it from a hands on, high maintenance operation to a business that had the capability of running itself with limited attention by the Owner. This would require a greater investment in human capital and time to mentor the team to run the day-to-day operations of the business.

Harry began a journey to turn the business into an investment and gradually remove himself from the day to day operations. Over time, by trial and error, he built the first CEO Model business. As James added to his other business interests his financial planning company became very attractive to a number of suitors (individual and institutional) and he eventually sold the shares to a publicly traded company for one of the highest multiples in the financial services industry. A number of years later, when Velanoff retired from Corporate executive life, he built a CEO Model (cooperative) consolidator operation that recently sold for one of the highest multiples in its sector of the financial services industry. These sales are examples that demonstrate and validate that the CEO Model can be crystallized and magnified for its unlimited potential.

This e-book is designed as a high-level CEO Model overview. A business-person who possesses a strong desire to restructure his/her business to enhance their lifestyle and achieve financial independence will want to adopt the principles in this e-book.

Let's take a journey into Dave and Harry's world.

Do you really need a strategic business plan?

So, you know you should have a business plan but deep down inside you question its value. That is likely because you are highly results oriented and you intuitively do what you need to do to make money to pay the bills. Hence, the question; Do you really need a business plan?

If you do a survey of different business owners you will get answers on both sides of this question. In my role as a business consultant and coach, I have found that most business owners do have a version of a plan but over 90% of these plans would not be classified as strategic in nature. They are not strategic because they are narrow in scope and take on the look of a "to do list" vs. a big picture overview that narrows down to a key set of initiatives and deliverables. In other words, most plans are comprised of goals and objectives but we recommend inclusion of:

- Values that are clearly stated
- A mission and vision statement that is linked and aligned to the direction of the organization
- A stakeholder analysis
- A detailed SWOT analysis
- Clearly set out key initiatives and deliverables
- A score board – valuation criteria and annual financial objectives
- An exit strategy

No matter how good or bad the plan may be in the eyes of business planning experts, the most important thing is execution and continuous reference and adherence to the plan. A business plan that sits in a filing cabinet for review at yearend is virtually a useless document.

What do Values have to do with it?

"Values! What does this have to do with running a business?! I have my values but, much like the sports world, the business sector can be a heartless and ruthless place. I'm not really sure about values in the business world and if my clients really judge me by them."

Values are the fundamental beliefs of a person or organization. Values are the guiding principles that dictate behavior and action and indicate the difference between right and wrong. They help companies determine if they are on the right path fulfilling their business goals. There are many different types of values and many different examples depending on the context.

Personal Values

Personal values affect every aspect of our lives. When deciding to spend your life with someone, when heading down a career path, even when taking a trip to the supermarket, we never know when our values may be tested. We'll also have experiences that give us the opportunity to assess our own values and be certain they truly reflect what we believe is right.

For instance, when two people fall in love it is often because they share similar values or internal beliefs that speak to how they want to live their life together. Some examples include:

- A belief and/or an affiliation with a religious institution or a certain philosophy.
- A belief in being a good steward of resources and in exercising frugality.
- A belief that family is of fundamental importance.
- A belief that honesty is always the best policy and that trust has to be earned.
- A belief in maintaining a healthy work/life balance.

Corporate Values

Corporate values are the guiding principles that help to define how the corporation should behave and they are usually expressed in the corporation's mission statement. By way of example, CEO Capital's core values are:

- We are dedicated to our clients' success.
- We have respect for all people at all times.
- We will act with integrity, confidentiality and high ethical standards.
- We give back to the communities we serve.
- We strive to make the world a better place.

While some companies proudly publish their values, often the best way to identify their true values is to witness how they act and behave.

Values are only true core values if they have an operative influence, displayed when both the companies and the individuals actively live by them.

The things you do speak so loud I can't hear the words you say.

And yes, people really do care about values and what you represent. Trust is vital to any relationship surviving the test of time. *"Don't say things. What you are stands over you the while, and thunders so that I cannot hear what you say to the contrary."* - Ralph Waldo Emerson

Is there a Difference between a Mission and a Vision?

So, you have invested significant time pondering, discussing, and defining the values of the organization. Setting the table for the establishment of the Mission and Vision that will power the team in the desired direction, but is there a difference between the two?

Simply put, yes, but what is the difference between a Mission and a Vision?

A Mission is what we do now, in the present. It answers the question, "What makes us different?" while never straying from our path to the future.

A Vision is the future. It's where we want to be. It is inspirational in nature and it shapes why you do what you do.

Establishing a Mission and Vision statement should be taken very seriously. The Mission may change from time to time but it should always be tied back to the organizations' core values and Vision.

When creating a Mission statement, it is important to answer the following questions: What do we do today? Who do we do it for? What is the benefit ascribed to what we do?

In comparison, a Vision Statement should answer questions such as the following: What does the organization want to accomplish going forward? What is the time frame? How do we want to do it?

Now that we're done with the technical definition of Mission vs. Vision, let's take a look at a real-world analogy. If you're going on a vacation and don't know which route you're taking or how you're going to get there AND you don't know why you're even taking a vacation in the first place, you could end up in a war zone of conflict, confusion, and frustration. If it were I, for example, my vacation's purpose would be to de-stress my mind, body and soul. I know I could do that by taking a couple of weeks off in the Bahamas with my spouse, and from that point, easily decide what I need to do to get there in the most efficient and effective way possible.

I hate to drag us all away from the imagery of that beautiful Bahamian beach, but back to business it is! Take a look at CEO Capital's Mission and Vision statement. Here we've put the present vs. future elements into action:

OUR VISION

To be recognized for crystallizing and magnifying value for our clients

OUR MISSION

We crystallize and magnify value for our clients

How well do you know your Stakeholders?

Managing your stakeholders is crucial to the success of your business. Are you executing plans based on the right information? The best way to begin figuring it out is to get back to basics! What is a stakeholder, and why are stakeholders such an important part of the strategic planning process? Simply put, a stakeholder is a person, group or organization that has a dependency, concern or vested interest in an organization. Now, that is one broad definition! And that's exactly why an extensive stakeholder analysis is so imperative. All stakeholders can affect or be affected by an organization's actions, objectives and policies, but all stakeholders are not equal. Although a company's customers are entitled to fair practices, most organizations take the position that they are not entitled to the same consideration as the company's employees.

Stakeholder examples:

- employees
- government
- owners
- shareholders
- suppliers
- unions
- the local community
- family
- bankers/creditors

Why is a stakeholder analysis an important component of the strategic planning process? Consider this example of how the same situation divides one company's shareholders into two opposite groups: A company makes a business decision to terminate several employees. This negatively affects the local working community and potentially the local economy. Shareholders of a company like Blackberry may be positively affected by cost cutting and the release of a new device which drive prospects for a higher stock price. However, those tough human resource decisions also negatively affect employee and community stakeholders. This somewhat illustrates how complex assessing stakeholders can be, but it's still just skimming the surface. To even begin to dive deeper, one must define primary, secondary, and key stakeholders. Taking this step allows the stakeholder analysis to become the effective planning tool it's meant to be.

Primary stakeholders are those ultimately affected, either positively or negatively by an organization's actions, objectives or policies.

Secondary stakeholders are the persons or organizations who are indirectly affected by an organization's actions, objectives or policies.

Key stakeholders have significant influence upon, or importance within, an organization and they can be either primary or secondary groups. A stakeholder analysis develops cooperation between the stakeholder and planning team's goal of achieving successful outcomes for the organization and clarifies the consequences of proposed changes. The identification and categorization of stakeholders helps to identify interests, risk, key influential people, and negatively affected stakeholders. Knowing this information is the only way to develop methods to influence stakeholders and to be certain you're engaging the right groups at the correct time in the right way. Once you've established your Values, Mission, and Vision, confirming stakeholders is your next step!

Do you think Steve Jobs took his passion for alignment too far?

A tense scene in the movie Jobs, is dynamic entrepreneur Steve Jobs having a heated argument with his number one programmer over fonts, just prior to an Apple software release. Jobs fires his best programmer when he concludes they are not on the same page. In fact, the moment it becomes clear to him the employee does not share in his vision of Apple, the employee's skills as the best programmer in the company immediately become irrelevant and he's fired on the spot. "He's the best programmer that doesn't care about our vision.[i]" Despite what this says about Mr. Jobs as a manager—or as a person, it clearly demonstrates how important it was to him that his team be aligned with the direction of Apple.

As harsh as this was, Apple eventually became the most valuable company in the world, driven by a leadership that had a burning desire to accomplish the goals that were linked to the mission of the organization. There are many different leadership styles and as controversial as Steve Jobs may have been, he was able to build a company that recruited and inspired employees who were aligned with Apple's strategic direction.

Aligned organizations start with focused leadership and a strategy that is communicated and understood from the executive level all the way to the front line. Employees understand their role in moving the strategy forward and actively work toward accomplishing the projects and tasks that are all part of the big strategic picture.

Alignment quickly crumbles when there is a lack of communication and clarity between teams.

When an organization is aligned, the Customer Service team, for example, understands that in addition to answering calls and providing customer satisfaction, they must also create an experience that exceeds expectations. An experience that becomes engrained in the client's memory. Or, think of aligned Sales Associates who are not strictly evaluated by sales figures, but instead by the percentage of customers that are retained over a period of time due to a trusted relationship. Aligned Customer Service and Sales Associates enthusiastically provide services that dovetail perfectly with the Company's Vision because everyone is on the same page.

An aligned company makes a constant effort to generate feedback from customers. Customer surveys are an excellent tool to measure the satisfaction with products and services. Their results are invaluable in both measuring and adjusting alignment. This is exceptionally important considering alignment is not a static process. It can be affected by market conditions, organizational roadblocks, customer perception, as well as events, such as going public or the sale of the business to a new ownership group.

The Alignment process is quite complex indeed. Just as we take the car in for regular service to ensure the tires are staying correctly in line, established organizations often bring in outside consultants to confirm the company is still aligned and to help fine tune the organization for success. After all, in either scenario, with proper Alignment, you head in your intended direction instead of veering off course.

Steve Jobs movie clip reference

Is it time to call in a SWOT team?

As you build your business plan or assess an important project, it is vital that you know and document the organizations strengths, weaknesses, opportunities, and threats. When a professional sports team prepares to take on an opponent, they match up their strengths and weaknesses against their competition before they finalize the game plan. Businesses need to use a similar process known as SWOT in preparing a strategic game plan.

Wikipedia defines each section of the SWOT as follows[ii] :

* **Strengths:** Characteristics of the business or project that give it an advantage over others.

* **Weaknesses:** Characteristics that place the business or project at a disadvantage relative to others.

* **Opportunities:** Elements in the environment that the business or project could exploit to its advantage.

* **Threats:** Elements in the environment that could cause trouble for the business or project.

Although we can barely begin to sink our teeth into such a robust topic in a single article, the key to a successful SWOT analysis is the realization it is a vital and stimulating part of the planning process that everyone in the company has a hand in.

It would not be unusual for an organization to create more than one SWOT analysis as they develop their business strategy. This puts a heavy burden on leadership. The SWOT process requires a trained management facilitator to lead the process because a dynamic group will come up with many thoughts and ideas! It takes management skills to encourage participation while assembling the key points that ultimately make up the SWOT analysis for that division; so, depending on the qualifications and resources available, this person can be internal or external.

To take matters even further, we highly recommend the analysis be conducted on each division of the organization—separately. The Marketing department, Operations, Sales Management, etc., should all build their own SWOT analysis in conjunction with the big picture. Doing so creates alignment with employees, and between employees and the company. The employees who take part in a SWOT analysis believe in the big picture because it's now something they have helped create and want to nourish, instead of something they have been demanded to adhere to. You are demonstrating respect for their need to contribute and that they are a valuable asset to the organization. The company's Vision and Mission really begin to mean something to every employee, and that makes all the difference in the world.

To Grow or Not to Grow? That is the Question.

The need to grow a company or organization aggressively, modestly or not at all is an important consideration in writing the Growth section of your strategic business plan.

To many executives and managers in an organization, the growth plan is one of the most exciting parts of the business plan. Exciting because it implies the company is in expansion mode and therefore good things must be happening!

Growth is also associated with sales, revenue, profits and potentially the creation of new jobs. As usual these short articles don't allow for detailed assessments so the Velanoff Voice will list some statements about growth as food for thought.

1. Growth means profits will increase: YES, NO, and MAYBE.
2. Growth is always profitable: NO.
3. Growth can be strategic without being profitable: YES.
4. Deciding not to expand can be a good thing: YES.
5. Growing can burn capital and it may not provide a good return on capital: YES.
6. Growth can destroy a company even if the financial analysis shows profitability: YES.
7. Growing and knowing the company has a solid base and service team is crucial: YES.

No matter what type of business you run, the growth plan requires a well thought out process. Before you start the process of determining a sales target, new client or customer target, new accounts or transaction target and gross/net revenue target, we strongly recommend that you forensically analyze all of the scenarios and consequences of growing your organization.

So You Think You Can Market?

So you feel ready to market your brand…or perhaps advertise to promote the sale of a particular line of products or services. There is a big difference between building brand name awareness and advertising to increase sales. In fact, it's quite complex! If hiring a trained marketing executive who can work with an outside agency isn't in the cards, selecting a marketing agency to fulfil that role is imperative. We highly recommend you invest time to make the right choice and if you are not confident in making that selection on your own then invest a little money with a skilled consultant who has experience in the marketing arena. They can conduct interviews and view auditions and ultimately help you select the right agency.

Jack Trout is well known as one of the Gurus of Marketing[iii]. One of his key analogies in establishing an understanding of marketing is a comparison to warfare. In an older but highly relevant example, Jack Trout compares the car companies and their position in Industry back in the 1970s.

He discusses marketing warfare in the following way:

General Motors was in a Defensive marketing position as they were number one in the world at that time and they wanted it to stay that way.

Ford was in an Offensive marketing position as they were a close second with a similar product line but they were pushing hard to overtake GM.

Chrysler was in a Flanking marketing position as they had less product and less market share but they wanted to take on the big guys.

American Motors was in a Guerrilla warfare position as they had one or two popular vehicles and losing market share would be devastating.

For more on this

The marketing position taken is what makes or breaks a company. It is usually a big investment and one of the most complex components of any business. Many companies have wasted significant funds on marketing because they don't have a good understanding of its general purpose and, specifically, how it should apply to their business at its stage of development. Don't assume you understand marketing just because you are an excellent sales person or sales organization. Though related, they are different disciplines with their own specific methodologies.

Your Brand speaks so Loudly that I Cannot Hear the Ads you Run!

Branding is a tricky term. Many people have an idea what branding means in relation to their marketing plan, but when asked to specifically define the difference, have a little trouble with the articulation. It is often mistaken to be a company logo, an easy assumption to make considering the seeming inseparability of Coca-Cola from its Spencerian scriptor Nike from its Swoosh, but even in these high-profile cases, the brand is what the logo represents, not the other way around. In fact, a logo isn't even required. The brand itself is the core of the company. Its mission, vision, values, policies, practices, and goals. Every time you market, you are marketing your brand.

The Chartered Institute of Marketing defines Marketing as “The management process responsible for identifying, anticipating, and satisfying customer requirements profitably.”

According to Brenits Creative[iv], “Your brand is ‘only everything’ within your company. As a result, it’s imperative to define what it stands for. You have to identify your target audience and what they want, say why you are better than your competitors, and come up with a short statement that describes your brand’s purpose.” The aforementioned site has a fantastic article on the difference between Marketing and Branding and helps you answer questions such as, I’m a small business – why do I need a brand?; What’s your personal brand?; Do you need to rebrand your business?; What does marketing deliver?

CEO Capital recognizes marketing as one of the most important components of your business and the marketing strategy you utilize to propel your growth plan plays a significant role in the accomplishment of goals. There is an abundance of information on the internet that you can read to get a better understanding of Marketing, Branding and Advertising but ultimately the best investment you can make is aligning your organization with a Marketing organization that takes the time to understand your organization intimately so they can take ownership of your business strategy and help you deliver the results set out in your business plan.

What can the NHL teach us about successful business planning?

Wayne Gretzky once said, “Hockey is a unique sport in the sense that you need each and every guy helping each other and pulling in the same direction to be successful.”

Such an apt description of a successful business! Actually, success in the business world has quite a bit in common with success on the rink. Now is planning season for your business. Your equivalent of the NHL’s off-season! Time to set goals for the new season and assess the team to see it has what it takes to accomplish the goals you established in your business plan.

And like a hockey team where each line may have a different mandate, a business unit or division will have to perform different functions and unique skill sets will be required. In hockey, the checking line has a primary function of goal prevention. They tend to give the offensive line the opportunity to rest so they can score goals.

In business, it’s the risk management team who plays a defensive role. The risk team may be comprised of players from other lines. For example, finance, operations and legal could make up the risk management line. Sales and marketing play the offensive and the customer service department tackles a dual role as it defensively works to retain clients and offensively strives to add more clients.

Even though your team will be diversified in nature, there are some absolute non-negotiable traits that they should all have.

Belief in the Mission and Vision of the firm.

Similar Values that align with your company.

An understanding of who the key stakeholders are and an acknowledgment of their importance to the success of the company.

Agree to sign and adhere to the business code of conduct.

Obviously, there are many other characteristics, qualities, and levels of competence that employees must have to qualify for your team.

What do you stand for?

Are your guiding principles clear?

1) The Golden Rule: “Do unto others as you would have them do unto you.”

2) “The things you do speak so loudly I can’t hear the words you say.”

3) “Remember the lies you tell because others will.”

4) “Never assume! Follow up — Follow through!”

These guiding principles are strong statements that may not appeal to some of you, but it is very important for a Leader to let employees know what you stand for. It always comes back to Values, the Mission, and the Vision. A guiding set of principles provides a clear understanding of what it takes to make the team!

Are you trying to be the “I” in team?

Small and even medium-sized businesses do not always have the senior resources necessary to run an organization effectively. This doesn’t mean a company can’t run well if it’s top heavy, but it puts a lot of pressure on that key person. It negatively affects lifestyle, causing burnout to occur and careless mistakes happen.

Management style from the top of the organization also determines how the infrastructure (TEAM) is built. Many management-training organizations reference a version of the following styles. Rensselaer Polytechnic[v] writes this excellent description:

Autocratic: Leader makes all decisions unilaterally.

Permissive: Leader permits subordinates to take part in decision making and also gives them a considerable degree of autonomy in completing routine work activities.

Combining these categories with democratic (subordinates are allowed to participate in decision making) and directive (subordinates are told exactly how to do their jobs) styles, gives us four distinct ways to manage:

Directive Democrat: Makes decisions participatively; closely supervises subordinates.

Directive Autocrat: Makes decisions unilaterally; closely supervises subordinates.

Permissive Democrat: Makes decisions participatively; gives subordinates latitude in carrying out their work.

Permissive Autocrat: Makes decisions unilaterally; gives subordinates latitude in carrying out their work.

An autocratic management will hire a more passive employee who wants to be told what to do and how to do it. A management style of both autocratic and permissive combined is much better for attracting high quality employees who give the leader the confidence to delegate the bigger picture and know the expected outcome will be achieved versus only delegating specific tasks. Think of a sports team. The coach works on improving the skills, knowledge, and strategy with the team during practice sessions but when the game is on the team intuitively executes their responsibilities without being told what to do.

What is your management style? Can you delegate, empower, and coach a strong TEAM? Treat your employees with respect and provide them with all of the important perks that demonstrate how valuable they are to you and the company.

Is Your Business Built on A Shaky Foundation?

Operations in your organization represents the foundation of a house. If the foundation is solid, the framing, plumbing, electrical, and heating have the base required to build upon without worrying about an unstable platform.

So how does this apply to a business?

Operations, in most organizations, represents the information technology and administration departments. Some companies include customer service and risk management, but for the purpose of this article, we'll limit operations to IT and Admin. This can best be illustrated by referring to the business structures triangle in the CEO Model presentation.

Marketing and Sales departments make promises and commitments to clients, customers, and prospects. This always includes the features and benefits of the company's product and services. A good part of the promise requires that Operations (IT and Admin) execute the components of the process that help deliver the expectations of the client. In addition to supporting products and services to the public, the operations department provides the entire company with support in the area of finance, risk management, customer service, sales, marketing, and subsets.

Operations is the heartbeat of any organization.

Think of it this way. If you build a house on a shaky and unstable foundation, virtually every other part of the house will also be shaky and unstable. In extreme cases, the house could collapse entirely—just as a dysfunctional operations department lies at the centre of many collapsed businesses.

So, how do you build a solid and reliable operations foundation for your business?

How Well Does Your Workflow?

We just discussed the danger of a business built on a shaky foundation, but one question remains. How? How do you build a solid and reliable operations foundation for your business? Small and medium sized businesses often start their ventures with a top down approach. By this, we reference the business structures triangle below.

In other words, the concept of the business begins with the Founders' passion to provide their product to the end consumer in order to improve their world, while also deriving a healthy profit with the consumer's purchase. The Founders tend to be creative and passionate about the end result, but often introduce the product or service to the end consumer without giving much thought to its delivery from the creation stage. When we reference the business structures triangle at the top, we see marketing, sales, and profits as the top priority, but as we've stated previously, operations must solidly support the promises made during the selling and marketing process.

Marketing a product aggressively that is not ready will accelerate its failure. By way of example, Marketing Gurus often reference a beer "RED DOG" that came to market a number of years ago with a commercial that was one of the top-rated beer commercials of that year. People rushed to the beer store to try it! BUT the beer did not taste good and it failed because the consumer rejected it quickly. The processes to test the product were not in place and if they were, they didn't implement them.

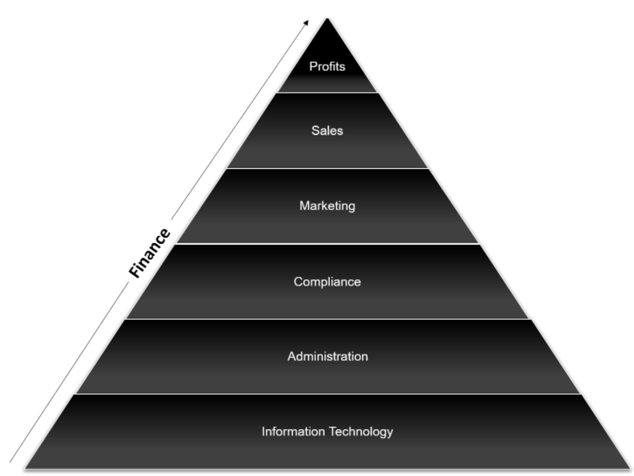
The lesson to be learned from this is clear. Once you create your product, you need to take it from the production stage and list all of the processes that need to be in place at the operations level through to delivery. This is known as workflow engineering. If you do not have the expertise in this area, it's well worth the investment to hire a consulting workflow engineer to study the process with you and document all the steps to delivery. This process mapping allows you to hire or outsource the resources required to deliver the product or service and meet the expectations of your customers.

A solid operation is about executing processes effectively and efficiently. Therefore, you have to price in all of these requirements before you go to market.

Systematic Organization

There's more to workflow than you think…

Workflow engineering is a highly complex component of running your business. Because it's something so many businesses struggle to improve, plenty of outside help is available. Specialist companies offer services in everything from consulting to complete workflow redesign. At the other end of the spectrum, a quick search in the app store will display no shortage of workflow tools to assist those taking the DIY route. A subject this big could fill volumes, but for this issue we'll keep it very simple.



We discussed why you want to make sure the launching pad for your product or service is built on a solid foundation before you push the launch button. It's easy to put an emphasis on the operations (IT, admin, risk management, and customer service) as vitally important to supporting your product, but inside the operations base are numerous wires, tubes, and switches that must all work in unison to consistently support the delivery of your key value proposition to the consumer. These processes, checks, and balances take place to ensure quality control and superior customer support when required.

Let us take an artificial Christmas tree as an example. Take a moment to ponder the process, beginning with a vision of what the tree will look like, and what it represents once it is fully decorated. Instinctively, we begin the assembly process from the bottom up, even though the vision and desired end result is already clearly present in our mind. We methodically begin to build the tree up from the base. Once the bare tree is stable and secure, we begin to add décor, including lights, bulbs etc., until our dazzling vision becomes a reality.

In the course of events, one or two people drive the vision of what the tree will ultimately look like, while another may do a better job with the actual assembling tasks, followed by the individuals who are superior at decorating and putting on the finishing touches. If the workflow engineering is correct, the tree will stand tall, both stable and exquisite. Just the way you want your product to stand with your customer!

This analogy illustrates why it is so important to take a complete look at all of the processes that occur before delivery to the customer takes place. Also, it represents why you must employ qualified workflow engineering expertise who understand what it means to deliver. Thus, ensuring the highest possible operational standards are in place.

Have you checked out your scoreboard lately?

The final phase of wrapping your arms around your organization is creating, understanding, and interpreting the Scoreboard. This begins by knowing your numbers!

All businesses are risky endeavours in one way or another. The important part is calculating that risk. We do this by determining the **R3** factor of the business' income stream: **Reliable Recurring Revenue**. Not only is this an effective way to judge the safety factor of your company's revenue but it's also a key factor in determining the ultimate value attributed to your business.

Let's compare examples from opposite sides of the **R3** spectrum:

If you're a Real Estate Agent creating your business plan for the next year, you are faced with the reality of virtually no recurring or guaranteed income. (You may have properties as a reliable source of recurring revenue, but personal investment properties generally fall outside of the core business.) Even if you have a brokerage firm with strong historical sales trends, the risk factors that affect the reliability of this revenue recurring each year are very high. Agents could leave for another firm, markets could correct or crash, and even an illness of the key producer substantially affects the **R3** of this business. Unfortunately, clients neither pay a trailing income to Real Estate Agents for ongoing services, nor do they sell or purchase new properties on a frequent basis. This type of business should have significant reserve cash for rainy days.

If you run a Financial Planning advisory business, structured correctly by using managed product and a consistent financial planning process, then over 65 to 75% of the revenue stream tends to come from building and servicing an existing client base who rely on ongoing investment and financial planning advice over many years. The General Insurance business also has similar attributes, both businesses have risk associated with retention of clients that can be controlled if managed appropriately.

The ability to Control and Minimize risk is a Vital factor in your success.

Although all businesses have risk associated with **R3**, the calculation varies considerably according to circumstance and as a result, so does the frequency with which you must assess your numbers. A high-risk company with no reliable recurring income will want to stay on top of their numbers on a daily basis, while a company with long-term, recurring clients creating reliable revenue could adhere to a monthly or quarterly assessment. In other words, the lower your **Reliable Recurring Revenue** is, the closer watch you must keep on your Scoreboard.

It’s Crystal Clear. We Magnify Value.

You worked hard every day striving to make good for someone else and it was time for change; a life altering change; so, you started your own business. You may have discovered that running your own business was more complicated and challenging than you ever imagined. You no longer have a boss, but you have customers that you need to satisfy.

Being the architect of your own business can have many rewarding events, and you found out very quickly that hard work, perseverance, and dedication was absolutely, paramount to your success. The challenges at times seemed insurmountable. All signs pointed toward a potential restructure or change of direction. Seeking out a second opinion” suddenly has merit.

The CEO Model

“Can” wins
Everything evolves
Open minds expand horizons

The CEO Model will crystallize and magnify the value of your business. It all begins with your strategic business plan and ends with a strong **R3** factor monitored on your scoreboard.

References:

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