VISTAGE

Bob Webb, Speaker

Webb – Cash Flow Bullets – Top 10 Areas

Accounts Receivable

- **Generate and send invoices within 24 hours of shipment**
- **Assure invoice compliance and accuracy with all terms**
- **Determine optimum discount / payment / policy terms by Customer**
- **Implement defined follow-up plan for collections**
- **Develop price model to increase profitability and accelerate Cash**
- **Determine Customer profitability and go forward strategy**

Inventory

- **Review data and calculate inventory turns by item number**
- **Determine product line profitability and viability**
- **Identify new target inventory turns to determine Cash savings**
- **Sell / dispose all obsolete / slow moving / excess Inventory to increase Cash**
- **Determine where vendor managed inventory (VMI) is appropriate**

Other Current Assets - Prepaid Deposits / Life Insurance

- **Review Deposits and request refunds for excess**
- **Determine Cash Value Life Insurance and request refund**

Land / Building

- **Sell or lease excess Land**
- **Determine optimum size facility (engineering study) current / future growth**
- **Sell / leaseback Building**
- **Sell current facility and lease new right size facility**

Equipment – Mfg / Office / Vehicles

- **Identify appropriate (engineering study) equipment**
- **Determine Rent v. Own using equipment analysis**
- **Develop and implement maintenance and repair program**
- **Outsource non-core functions and related equipment/services (IT, Payroll, etc.)**
- **Analyze lease v. buy for vehicles**

Accounts Payable

- **Negotiate with key vendors for favorable payment and service terms**
- **Stretch non-local vendors to 45-day terms**
- **Match AP to AR collection pace**
- **Consolidate vendors**
- **Partner with key vendors to increase business and value driven services**

Debt – Short term and Long-term

- **Determine correct mix of short-term and long-term debt**
- **Refinance to appropriate current/growth levels (rate, length, covenants)**
- **Renegotiate Notes and Other Obligations**
- **Renegotiate ABL limits / sub-limits / terms**

Equity

- **Offer non-control equity for Cash to key employees / family / investors**

Backlog

- **Accelerate backlog of key customers/projects through pricing/delivery service**
- **Negotiate improved pricing of low margin orders**

Growth

- **Determine growth plan**
- **Identify sales strategy and implement for organic growth**
- **Implement incentive-based compensation for key managers and sales staff**
- **Differentiate between competitors through delivery / warranty / service**
- **Review acquisition possibilities**

Force Rank Template

The purpose of a Force Rank is for senior management to have a tool to determine how each employee rates in their current role, potential for the future and where improvements need to be made in the organization. The people side of any business is one of the most difficult areas to improve but is critical to long-term success. The primary reason for most employee "failures" is the result of bad processes or bad management, both of which are our responsibility as leaders of the organization.

Listed below are some questions to answer regarding each Manager to be rated during the first round of the Force Rank. Answer each one with your initial reaction. Use a scale of 5 as the highest and 1 as the lowest rating.

How well does the Manager perform their routine responsibilities?

How positive is the Manager's reaction when you need something outside their primary role?

How well does the Manager work across functional areas within the company?

Does the Manager have the skills to use updated technical tools and improved processes?

Is the Manager's attitude positive even when the situation is negative?

Does the Manager identify solutions to problems?

Is the Manager considered a "go-to" person by other Managers and employees?

Is the Manager constantly looking to improve themselves and the company?

Does the Manager help to make you better in your role?

Do you consider this Manager an "A" (critical to company success) player (rank A=5, B=4, etc.)?

Executive Level - Strategic

- Does the decision support our – ***Mission/Vision/Values***?
  - Match our defined and agreed philosophy
  - Enhance our reputation and increase community involvement
  - Demonstrate our commitment to continuous improvement

- Does the decision reflect our "***Customer facing***" attitude?
  - Provide improved experience and value to all customers
  - Develop new customers with similar philosophies
  - Create long-term relationships

- Does the decision benefit our ***Owners***?
  - Provide opportunity for personal growth
  - Improve the long-term financial security of the Company
  - Risks, Results and Rewards are optimized

Operational Level – Planning, Responsibility, and Accountability

- Do we have the ***Capability*** to perform properly?
  - In-house knowledge, skill, experience
  - Resolve quickly any unexpected encounters
  - Develop key competencies as value added core strengths

- Do we have the ***Capacity*** to achieve the expected results?
  - Timely delivery of current work, projects, and priorities
  - Short-term v. Long-term growth tactics
  - Use outside resources to relieve key constraints

- Do we have the ***Commitment*** to execute?
  - Willingness to devote time, energy and resources
  - Excellence in priority elevation
  - Start and finish deliverables in a timely manner

Employee Level – Execution and Successful Implementation

- Have we provided the ***right plan*** to execute?
  - Fully developed plan with written objectives, timelines and results
  - Plan clearly communicated and closely monitored
  - Flexibility to adapt and improve with changed conditions

- Do we have the ***right metrics*** to measure the right result?
  - Goals consistent with agreed key Company measurements
  - Define what success looks like
  - Measure and communicate performance data regularly

- Will we reward the ***right behaviors and right results***?
  - Define expectations up-front
  - Use incentive based performance rewards
  - Celebrate success!

CFO vs. Controller

When working with family owned and operated companies as well as non-profit entities, or speaking to business groups, we're often asked to identify the key differences between a CFO and a Controller.   The follow-up questions are normally how to determine the need for a CFO and what's the real value of a CFO.

The basic difference is quite simple. A Controller is a valuable part of the management team and deals primarily with compliance issues. The Controller is responsible for following GAAP (Generally Accepted Accounting Principles), maintaining a system of internal control, providing accurate and timely financial statements, reporting bank covenants, budgeting, tax filing and other compliance activities (governmental reports, internal measurements, reporting on key initiatives) within the organization. These are extremely important responsibilities and vital to sustaining a profitable company.

A CFO has often served in the capacity of a Controller and possesses the key skill sets and understanding of the function. However, a CFO has a much broader focus encompassing the entire business.   The CFO must understand the operation, marketing, sales, customer profitability, segment profitability, where the company generates profits and how it grows, either organically or through acquisitions. The CFO is a true partner with the CEO and must be able to advise, accept responsibility, hold the organization accountable, measure risk, implement key initiatives including M&A activities and provide executive leadership.   In my experience, only about 20% of Controllers have the drive, personality and skill sets to be a CFO. It's simply a different career path for people who have accounting knowledge, but add the ability to be effective in a key leadership role.

The Owners and/or executive leaders need to determine if the organization is in a maintenance mode (content with the financial results and trajectory of the business) or in a growth environment, where market share expansion, customer growth, M&A opportunities and other business drivers may lead to increased profits. These are areas where a CFO brings financial and business abilities beyond compliance (although always necessary) to the company, that can have a dramatic positive impact.

One of the key metrics that profitable companies use along with potential buyers (and every successful private business changes Owners at some point), is EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization). Coupled with this metric is the EBITDA multiplier. A CFO needs to be able to guide the company to increase both EBITDA and the multiplier (non-profit entities will have different key metrics). This is the real value of a CFO, who can see not only how to improve the company, but develop a plan and *implement* it successfully for the benefit of the Owners (or stakeholders).

Sometimes businesses are not ready to commit to a full time CFO, and alternatives are available, such as part-time and interim assignments. This allows Owners to start to see the value and generate benefits. Our rule of thumb is that a strong CFO will generate 5 – 10x their cost in additional value to the company. While many companies look primarily at cost, a good CFO will see beyond the short-term and determine where value resides and how to best unlock it for long-term growth and profitability.

Management Decision-making Model Framework

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Estimate your Profit Improvement Opportunities in Dollars $

Robert L. Webb & Associates
Review. Rethink. Succeed

Company/Area	Processes Included: (or write TOTAL)	Team	Date

Rank	Waste Type	Estimate Formula						Annual Waste in ($)
	Waiting (Unplanned Downtime)	*Unplanned Downtime Hours per Month*	X	*Average Hourly Process Rate ($) Machines+Labor*	X	*Months per Year* 12	=	*Waste ($) per year*
	Waiting (Process Change/Setup)	*Process Change/Setup Hours per Month*	X	*Average Hourly Process Rate ($) Machines+Labor*	X	*Months per Year* 12	=	*Waste ($) per year*
	Waiting (Support Personnel)	*Total Number of Process Support Personnel*	X	*Average Annual Cost ($) per Support Person*	X	*Estimated Percent (%) of Time in Waiting Waste*	=	*Waste ($) per year*
	Inventory	(*Total Current On-Hand Inventory ($) Raw+WIP+FG*	-	*Calculated Inventory Level ($) at your target Turn Rate*)	X	*Hard savings estimate from inventory reduction (30%)* 0.30	=	*Waste ($) per year*
	Transportation (On-Site Material Moving)	*# of Forklifts (or similar) in operation*	X	*Annual Total Cost ($) per Lift w/Fuel+Drivers*	X	*Measured or Estimated Waste Level (%)*	=	*Waste ($) per year*
	Transportation (Shuttling, Error/Delay, Expedite)	*Shuttling Costs ($) per yr. Transport + Labor + Ovrhd.*	+	*Cost ($) of Transportation Errors and Delays per yr.*	+	*Expedited Freight surcharge Cost ($) per year not billable*	=	*Waste ($) per year*
	Energy & Natural Resources	*Packaging discards & trash handling+ disposal Cost ($)/yr.*	+	*Excess Utility & Natural Resource consumption Cost ($) per yr.*	+	*Environmental impact or related Costs ($) per year*	=	*Waste ($) per year*
	Defects (Scrap)	(*Estimated Scrap (Lbs. or Pcs.) per year*	X	*Average Cost ($) per Lb./Pc. including added value*)	+	*Scrap Handling, Disposal and Other Costs ($) per yr.*	=	*Waste ($) per year*
	Defects (Rework)	*Annual # of Items Reworked*	X	*Average Rework Time per Item (Hours)*	X	*Total Cost ($) per Rework Hour*	=	*Waste ($) per year*
	Defects (Inspection & Testing)	*Total Number of Inspection & Test Personnel*	X	*Average Annual Cost ($) per Specialist*	X	*Work Time (%) not billable*	=	*Waste ($) per year*
	Defects (Customer Received)	*Annual Cost ($) of Service and Field Repair not billable*	+	*Annual Warranty Credits & Forgiveness Discounts ($)*	+	*Annual Cost ($) of Returns and Lost Business*	=	*Waste ($) per year*
	Motion	*Total Number of Employees*	X	*Average Annual Cost ($) per Employee*	X	*Est. Percentage (%) of Time Spent in Motion Waste*	=	*Waste ($) per year*
	Processing (Process Inferiority)	*Extra Processing Hours per Month above known method*	X	*Average Hourly Process Rate ($) Machines+Labor*	X	*Months per Year* 12	=	*Waste ($) per year*
	Processing (Non-Value Added)	*Run Hours per Month on process steps not billable*	X	*Average Hourly Process Rate ($) Machines+Labor*	X	*Months per Year* 12	=	*Waste ($) per year*

Operating Waste Reduction Opportunities *Total* = $ ______ *per year*

Market Share Waste

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Rank	Waste Type							
	Underutilized People, Capacity, Special Skill or Innovation	*Total Attainable Market Volume ($) per year*	X	*Attainable Market Share Available (%) to Capture*	X	*Average Target Profit Margin (%)*	=	*Waste ($) per year*