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Poll the Audience:

- What Does it Mean to

“Curate a Culture of Growth?”



How to Curate a Culture of Growth

- **Create** a culture where all employees think and act like an owner.
- **Educate** employees about how business works and how what they do affects the financials
- **Empower** employees to act like owners in the business so they can enable change that helps the company grow profitably



Why Curate a Culture of Growth?

- **Aligns** employees and owners to drive success
- **Retains** rock star employees by:
 - Involving them in business planning and decision making
 - Challenging them to improve themselves and the team
 - Elevating them to think about the whole business and not just a job
 - Rewarding them as a team based on results they can control



Red Granite's Journey

- Unintended benefit!
- We're refocusing on The Great Game of Business ourselves
- "No one knows a job better than the person doing it,"
Japanese business principle
- Standard Costing concept for our team



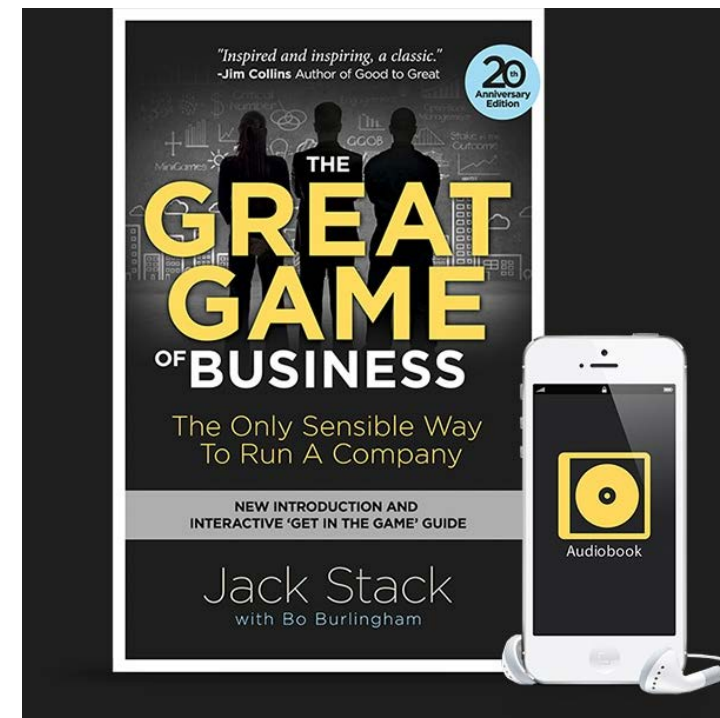
A Test!?

- One way we can improve
- Your one action item



The Great Game of Business

- Written over 20 years ago
- Based on Jack Stack's company, SRC
- Consultants
- Many credit it for open book management



“The whole concept of the Great Game of Business is beautiful - consistency, alignment, and transparency, infused with core values and brought to life with powerful mechanisms. It is inspired and inspiring, a classic.”

-Jim Collins

Bestselling Author of GOOD TO GREAT



The Great Game of Business – SRC Story

- Jack and management bought company from struggling parent co. in 1983
- 119 employees, loaded with debt, losing money
- Went from \$60k loss to \$2.7M profit in 3 years
- Sales grew annually by 30%
- Over 9 years, raised stock price from \$0.10 to \$18.30 (\$435 now)
- Created financial freedom for early blue collar employees



3 Principles of The Game

1. Know and Teach the Rules
2. Follow the Action and Keep Score
3. Provide a Stake in the Outcome

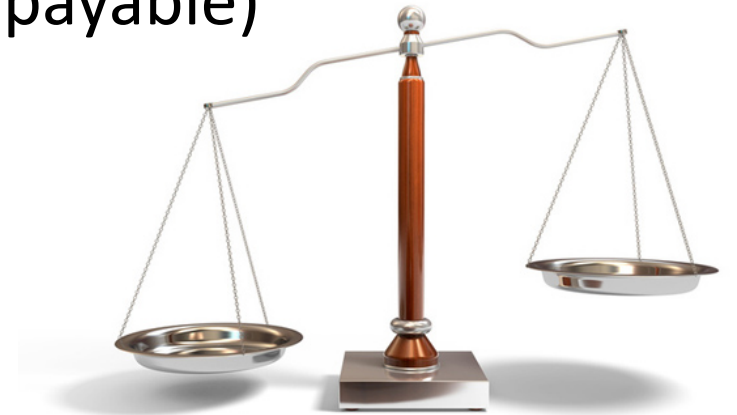
Know and Teach the Rules – P&L

- Teach the Profit & Loss stmt first, easier (money in, money out)
- Don't use CPA compiled financials! Too confusing
- Create internal simplified financials
 - Money from renewals
 - Money from new customers
 - Fixed costs (e.g. rent)
 - Variable server costs
 - Office supplies
 - Money left over to pay our bills (i.e. gross profit)



Know and Teach the Rules – Balance Sheet

- Money we need to collect (Accounts receivable)
- Money we're delaying paying others (Accounts payable)
- Cash tied up in product (Inventory)
- Cash tied up in equipment (Fixed assets)





Keeping Score

- Use key metrics to set overall team goals (2-3 max)
 - Focus on current company weakness (e.g. GPM, CLV)
 - Focus is toughest thing we see with our clients
- Put a name next to each P&L and Balance Sheet account →
Accountability & Ownership
- Frequency



Keeping Score

- Team Goals, all on the same page
- Celebrate wins! Make it a game.
- Discuss missed opportunities

Chicago Bears		10	Final					26		Green Bay Packers
1-6, 0-4 Away			1	2	3	4	T		4-2, 3-1 Home	
			CHI	0	3	7	0	10		
			GB	3	3	7	13	26		

Red Granite – Margin improvement

- Ultimate goal is 100% realization, but we want to celebrate and reward at various milestones: 70%, 80%, and 90%
- Standard Costing:
 - Paying a bill should take 10 minutes
 - Creating an invoice should take 15 minutes
 - Updating the monthly cash flow forecast should take 2 hours
 - Any planned client variances need to be understood
- Managers accountable for time spent vs. budgeted
 - Realized a bunch of work was out of scope → increased revenue

A Paradigm Shift

- Managers are no longer pestering employees to work harder
- Instead, they are highlighting the missed opportunities, and missed rewards
- Focus is OPPORTUNITIES not THREATS
- Proper incentives are key



Is your Bonus Program Motivating People?

- If the answer is no, it's not working
- Won't motivate if you don't communicate
- Put problems into the open. Place an annual bounty on fixing weaknesses
- Bootstrapping Mentality: Share rewards without jeopardizing security



You Get What You Give: But How To give it?

- Cash: “That’s What I Want”
 - Short-lived?
- Profit Sharing Plans
 - Vesting / Interests Aligned
- Stock
 - Think like an owner
- Alternative Benefit Trends



Profit Sharing Plans

- 401(k) Add-On
 - Tax deferred and long term growth
- Vesting / Keeping Talent
 - 6 Years Graded or 3 Years Cliff Minimum
- Supplement to Matching
 - PSP contributions variable based on company goals
 - Matching: set percentage but flexible design
 - Desired maximum match 2% of payroll: 2% flat or 1/4% up to 8%



Can you create more equity by sharing than By keeping?

- Company of owners
 - Investing in themselves changes work relationship
- Do employees buy-in? Share the big picture
 - Won't motivate: team doesn't understand equity
 - Won't motivate: team doesn't understand their role in growing value
- Multiple Magic: 20-30-50x?
 - Create massive wealth for people
 - Incentives not paid from company cash

ESOP: Standardize equity Ownership

- Top- Down
 - What % of company should belong to employees, allocated to ESOP
- Bottom-Up
 - How much equity each employee should be awarded
- Retention Grants and Discretionary Grants
- Communicating the numbers:

%

"We are granting you options equivalent to 0.5% of the company's equity"

\$

"We are granting you options equivalent to \$200,000 of company stock"



Benefit Trends

- Culture more than Keegerators and Ping Pong Tables
- Benefits to reduce money anxiety
 - Student Loan Repayment
 - Financial Wellness



International Foundation of Employee Benefit Plans 2016



Cost Control : Lost Productivity

- Strategy = Solve through culture and benefits

Of the 37% of Millennials who say their finances have been a distraction at work, nearly half (49%) spend 3 hours or more at work each week dealing with personal finance issues.



49%

Of the 34% of Gen X who say their finances have been a distraction at work, nearly half (46%) spend 3 hours or more at work each week dealing with personal finance issues.



46%

PwC Employee Financial Wellness Survey 2017



Cost Control : Employee turnover

Cost of Employee Turnover Calculator

Company

<u>Variables</u>	<u>Team Info</u>
Number of employees	100
Annual turnover percentage	10%
Lost employees	10

Employee Expenses

<u>Variables</u>	<u>Cost Per Employee</u>
Cost of hiring	\$25,000
Training and onboarding	\$10,000
Learning and development	\$10,000
Opportunity cost of unfilled role	\$50,000

Turnover Costs

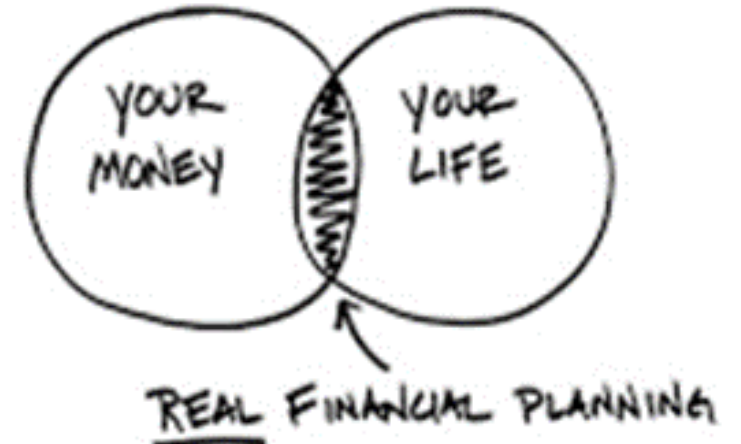
Cost of turnover	\$950,000
\$\$ saved w/ 10% reduction	\$95,000

PwC Employee Financial Wellness Survey 2017



Open Book Management for Personal Finances: Aligning your money & your Life

- Why is money important to you?
- Where do you want to go?
- Know your starting point
- Budget to your priorities, not as a punishment
- Save as much as you reasonably can
- Paying off debt is a great investment too
- Follow basic formula for successful investing: long term, diversify, turn off the news



What's your Big Picture?

- Generate wealth for the people you work with
- Show them how to create wealth, give them tools to use it
- ROI & ROL



Recap – What are 3 Principles of The Game?

1. Know and Teach the Rules
2. Follow the Action and Keep Score
3. Provide a Stake in the Outcome



Questions?

- Survey – please provide us honest feedback!
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