

The Chairmen's Round-Table (CRT) is a non-profit volunteer organization that provides companies in San Diego County advice on how to manage and grow their businesses through a well-defined mentoring program. The CRT is comprised of successful CEO's and Presidents with diverse industry backgrounds supported by a select group of local sponsor companies who are all committed to providing this service free of charge as a way of giving back to the local community.



FROM THE CHAIRMAN:

Welcome to our inaugural edition of the CRT newsletter. This publication, like the CRT membership, is dedicated to helping San Diego businesses obtain access to people, information, and organizations that can help them grow and prosper in today's economy.

In each edition we'll highlight one of the companies we have mentored and share the lessons learned from these engagements. We'll also address current topics of interest to our clients using our network of sponsors, partners and mentors to provide expert insight into key business issues.

If you have a business need, reach out to any of our mentors, sponsors or partners, you will be glad you did. And let us know how you like this publication and what topics you would like to learn more about in future editions. My email address is DaveCox@chairmensroundtable.com. I would love to hear from you.

Dave Cox

CLIENT CASE STUDY



It seemed like everything was going well for Red Door Interactive, a company that builds and manages its clients' Internet presence. Since its founding in 2002, Red

Door had recorded exponential growth and was now listed among both the top ad agencies and web developers by the San Diego Business Journal. But despite strong revenue growth, company owners were compensated at below-market rates, and profits were not where the company wanted them to be. Clearly, something needed to change. Company CEO, Reid Carr, was referred to Chairmen's RoundTable.

...I was completely open to the CRT's mentorship process. In fact, I welcomed it, said Carr. There's no ego here. I had no doubt we could make operational changes to increase profit and I was willing to do whatever it took to get us there...

They also identified the key metrics that were correlated to profitability on projects.

"The whole process was insightful," said Carr. "It forced me to dissect where our money came from and take a hard look at our billing structure, our clients, and our service offerings. Through the process, we identified which revenue categories were more profitable, and which clients were more profitable. Conversely, some types of projects and some clients were a clear profit drain. Armed with this information, it was easy to see what needed to change."

Looking Below the Surface

As part of its effort to gather the information CRT mentors requested, the company revised its revenue tracking and reporting. This action immediately moved the company closer to direct expense accounting. New processes were implemented to track project profitability. Stand-alone profit and loss statements were prepared for each business and customer segment. "We were able to identify some of the common characteristics of unprofitable projects, services and clients," said Carr. "We have used this information to modify our billing rates, streamline our services and create a profile for our ideal client."

Continued on page 4 and on our [website](#)

Where Did the Profits Go?

Although Red Door Interactive was seeing year over year revenue growth, its profits were slipping away. After factoring in the below market salaries of its owners, already-slim profit margins profits turned into a loss.

The CRT mentors gathered initial data to understand the company's business model. They looked at how projects were billed and reviewed revenue categories.

Please share this newsletter with others. We are always looking to expand our CRT community and appreciate any feedback, insight or other comments you may have. Please email us at info@chairmensroundtable.com



CRT AT A GLANCE:

- Founded in 1997
- Over 250 companies mentored to date
- 40+ current and former CEOs and Presidents are on the roster to mentor clients
- CRT mentors collectively hold 60 degrees, sit on over 170 advisory boards and hold over 260 board directorships
- CRT members have experience in a wide variety of industries including:
 - Automotive
 - Biotech/Medical Device
 - Computer Hardware
 - Defense
 - Electronics
 - Energy
 - Environmental Technology
 - Financial Services
 - Internet
 - Leisure
 - Manufacturing
 - Medical Services
 - Professional Services
 - Retail
 - Sports
 - Software
 - Telecommunications

Partners



Sponsors



Staying Alive— Surviving a Down Economy

One of our sponsor contributed articles



Since 1970, the population of San Diego has more than doubled and San Diego has developed into a city as diversified in the businesses it supports as in its population. While this has brought challenges to our infrastructure and our environment, it has also brought us opportunity. Having worked in or alongside San Diego businesses since the early 1970s, I've been fascinated to watch as business owners, seizing the opportunity, have put sparkle into the jewel of the city San Diego has become.

Successful business owners I have met possess unique characteristics: they are very conservative and detail-oriented in their approach to managing cash flow, yet willing to take a gamble on projects with little more than their confidence that what has proved successful for them in the past will assist them in navigating the uncharted waters of the future.

How then do successful companies sustain that success through times when the economy is considerably contracted? It comes down to five things:

Manage your team | Manage your projects | Manage your cash flow
Manage opportunities | Manage your reporting

Team

Employees are your number one resource. Now retired, Joe Crisci, former president of Greer Construction Company, had employees who had been with the company for most of their careers because he had an unfailing loyalty to them. According to Joe, "Loyalty was facilitated by hiring team members who could handle multiple areas of responsibility." His project managers could estimate. His superintendents could manage the job and the paperwork. Attracting and retaining key personnel with multiple skills will help you avoid the production and financial disruption caused by employee turnover.

Projects

While I was at Nielsen Construction Company, the president would visit every jobsite on a regular basis. He stayed involved with job progress in the field, as well as in the office. He would assist in closing out every job and was involved in many of the jobsite meetings. Surprises were the exception, not the rule. Good communication ensures that all parties with a need to know are kept apprised of all facets of the job – the good, the bad and the ugly. Armed with knowledge provided by proper project management, a business can overcome so much more than when information is not freely shared.

Cash Flow

Joe Crisci knew where his cash was. He strived to have 12 months cash flow available at all times. He accomplished this by knowing where each job stood. Billing was done according to the contract negotiated. Cash committed and anticipated was monitored daily, weekly, monthly and annually. Managing cash flow allowed the company to use the jobs to support operations rather than the banks. While the company had a line of credit, it never had to borrow from the bank in order to support operations.

Read more at www.ChairmensRoundtable.com

Dave is a partner at Hutchinson & Bloodgood, LLP and serves on the CRT Board. HB helps clients achieve their goals and is passionate about making a difference. As a full service CPA firm providing consulting, financial reporting and tax services to businesses and their owners, their commitment is to give you clarity. Clients enjoy working with HB because • They listen effectively and perceptively • Ask the right questions • Identify potential solutions • Determine the best option within them • Assist in implementation.



CRT MENTORS:

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A frequent question asked about CRT:

What are the metrics (sales volume, employees, etc.) that we use to determine if a potential client qualifies for CRT mentoring?

The ideal company should have at least \$5 million in revenue, have some meaty strategic issues that they really need help with, not be insolvent or in the process of raising money, and have a coachable CEO. Having said that, in the real world client selection is not an exact science because our clients come in many flavors and shapes and have a wide range of special needs.

Size of company is not the determining factor in client selection. **The primary thing we are looking for is someone that truly has a set of strategic issues where our mentors can provide some real value add to that client.** If sales are \$2-3 million but the work is interesting we will take them on. If a company is small but is experiencing exponential growth, they can use our help in getting ready to handle the growth so it doesn't overwhelm them. Conversely if they have \$20 million in sales but they have strictly operational issues that are causing them some problems, or we think the CEO is just not coachable, then we might not take on the work.

Other important considerations include the needs of our sponsors. If a sponsor tells us that they would really like us to find a way to work with the client – we will bend over backwards to make it happen if at all possible.

Below are some of the issues that we have run into during our mentoring assignments. These numbers are based on a random sample of 60 client engagements (out of 250+). The typical client has 3 or 4 of these issues and many times they overlap.

The best way to find out if someone qualifies for CRT mentoring is for someone from the CRT client screening committee to spend an hour or two with the prospect and make a determination based on the interview. Even if the prospective client does not qualify now they may in the future so the time spent interviewing the candidate is never wasted.

If you have a prospect or know of someone who does, let us know. We'll give you feedback and proposed follow up actions.

ISSUES CRT CLIENTS TYPICALLY FACE:

Growth Issues	#	Organizational Issues	#	Financial Issues	#
Marketing Strategy	24	Organization	16	Finance Growth	28
Growth Rate	17	Staff Quality	11	Exit Strategies	14
Competitive Positioning	11	CEO Coaching	10	Financial Planning	5
Product Strategy	9	Business Model	9	Margin Expansion	4
Diversify client base	5	Partner Issues	8	Cash Flow	3
Commercialization & Licensing	5	Board Issues	7	Funding Strategies	2
Government Sales	4	System Infrastructure	5	Receivables	1
International Sales	3	Acquisition Strategies	2		



ARE YOU READY TO BE A MENTOR FOR CRT?

Our mentors share four characteristics:

1. A willingness to give back to the San Diego business community by volunteering your time to help mentor local CEO's
2. The experience of helping to mentor CEO's as an outside Board member for corporations and/or not-for-profit organizations
3. The experience of being the Chief Executive of a company that has achieved a size appropriate to its industry as measured by revenues (at least \$10 million) and employees (at least 25)
4. Recognized by peers as a leader with an outstanding reputation for integrity, community service and corporate governance

We believe we can strengthen San Diego one business at a time if we have the right people involved in our mentorship program. We have more information and an application form on our web site www.chairmensroundtable.com

Read recent CRT blogs:

Am I the Orchestra's Conductor ... or Am I Playing First Violin? [Alan Creutz, mentor](#)

The Press Release is Dead! Long Live Twitter!, [David Oates, sponsor](#)

Business Planning for the New Century, [Jeff Campbell, mentor](#)

Who are the Pundits in Your Company? [Holly Green, mentor](#)

Armed with this valuable information, Carr acted swiftly to change the mix of projects, clients and services. Revenues stayed on an aggressive growth track and in just a few months after the mentoring assignment concluded, profit margins trended up. For the first time in the company’s history, the owners were able to set aside fair market salaries while booking solid profits. “We’re keeping our eye on the metrics,” said Carr. “We understand what drives profitability and we have created an environment, guided by better visibility, which pushes the entire company toward delivering superior service while improving our financial results.”

“Our CRT mentors forced us to look closely at our business,” said Carr. “When you are entrenched in the day-to-day, you tend to look at surface level issues. But working with CRT has taught me that that with the right processes and systems in place, you can stay on top of what lies below the surface. And that’s where you’ll find the answers.”

Key Challenges:	Recommendations:	Results:
Revenue growth, but lower than desired profitability	Examine the profitability of different services and customer segments	Profit margins increased, even with the additional expense of fair market compensation of owners
Financials not being used as a management tool	Identify the metrics that are correlated to profitability on projects	Company gained solid understanding of what drives profitability and initiated processes to track project profitability
Financial statements of the company did not reflect true operating costs (due to below market salaries for owners)	Move to direct expense accounting Look for common causes of cost overruns on projects	Defined ideal customer and now refers out opportunities that aren't a fit

Robert Pryor was the lead CRT mentor for Red Door Interactive. He has served as a CRT mentor for ten years and was a member of the CRT Board for four years. He has more than 25 years of successful CEO, leadership, and business troubleshooting experience in both public and private technology companies. Robert is currently the Managing Director of CEO3, a consulting firm specializing in working with CEOs of small and mid-size companies to resolve issues of growth.



Visit the [CRT website](#) to see other case studies and blogs!



CRT WELCOMES BIOCOM AS ITS NEWEST PARTNER IN BUILDING THE SAN DIEGO BUSINESS COMMUNITY



BIOCOM is the largest non-profit industry association representing over 550 companies in the life sciences community in Southern California. Companies that develop new drugs, medical devices, diagnostics, industrial solutions including advanced biofuels, and genomic tools on which the industry is based. BIOCOM's mission to position the Southern California life sciences community to achieve individual and collective success on the world stage of scientific and technology innovation and in the development of products that improve global health and quality of life.

BIOCOM becomes CRT's sixth non-profit partner and joins the College of Business Administration at Cal State San Marcos, CONNECT, Corporate Directors Forum, Entrepreneurs' Organization and the Entrepreneurial Management Center at San Diego State in helping build and support San Diego businesses.

Under the able leadership of Joe Panetta, President and CEO, and Jennifer Landress, Senior Vice President and COO, BIOCOM pursues four major strategic goals. BIOCOM is one of the pre-eminent advocacy organizations in California not only in life sciences but in all business areas. BIOCOM aggressively attracts more capital and investors to the Southern California region to fund existing and emerging sectors of the industry. BIOCOM has developed partnerships with the leading learning institution and member organizations to ensure that the Southern California workforce agenda drives economic growth through building the best educated, trained and informed workforce in the nation. Finally BIOCOM provides numerous opportunities for increased networking to build member-to-member relations as a means for companies and organizations to do business.

We look forward to having BIOCOM as a partner to provide CRT's mentoring services to their 550 member companies.



Terry Bruggeman serves as a mentor and member of the CRT Board. He previously served as the organization's Chairman. He is a serial life sciences entrepreneur who was CEO of Diversa, now Verenum, Somanta Pharmaceuticals and Provasis Therapeutics. He is currently Executive Chairman of BioTork, LLC, an industrial life sciences company focused on developing 3rd generation biofuels. He serves as a director of BIOCOM, the Lincoln Park Zoo in Chicago, and the Cal State San Marcos College of Business Advisory Board. Previously, he was a trustee of the Sanford Burnham Institute for Medical Research.

