

You're focused on driving Revenue and Net Income growth while nurturing and protecting Alu's brand, values, employees and reputation. As a highly-visible, consumer-focused company, your leadership and vision is crucial to ensuring Alu's success.

In RD-1 you've allocated \$250,000 for Investments to build your company, overcome challenges and unlock growth. In RD-2 and RD-3 you will increase the Investment budget. Along with the CFO, you must ensure your team isn't investing too little or too much. Good luck with that!

To reach your goals, it's critical to get the best from your leadership team. Do that by ensuring each person on your team is being heard. But remember, you're paid to make the tough decisions when the clock runs down. Will you lead your team democratically or with an iron fist? You're the President; make the call!

CURRENT CONDITIONS

- Some employees want to outsource aluminum fin production or replace the old, unreliable casting machine with an expensive CNC machine. In your experience, expensive and complex machinery doesn't always deliver a strong ROI.
- During Alu's first few years you experienced rapid growth, but profits have been flat the past two years. You've plateaued, and you know Alu must make changes to get back into growth mode.
- Alu SUPs remain popular with the high-end outdoor market in your region but is virtually unknown nationally. You see huge opportunity to expand your premium brand through DTC sales and getting Alu SUPs into more brick and mortar specialty stores.

KEY TERMS PRESIDENTS FOCUS ON

- **Revenue** is the money generated from normal business operations, calculated as the Average Selling Price (ASP) X the number of SUPs sold. Your company can have a large revenue, but if your COSTS are too high, you will not be profitable.
- **Net Income** also called net earnings or profits, is **Revenue minus your Total Costs**.

You joined Alu as CFO to help develop a strategy and help Alu's Leadership Team make better financial decisions.

Your goal is to reach at least \$10M in revenue with the highest net income over six years. As CFO, it's your job to keep spending in check and ensure investments are not negatively impacting the bottom line. Nobody knows better than you that not all investments are winners for Alu.

It's important for the CFO to help everyone understand how all four KPI's (Capacity, Orders, Costs and ASP) and the decisions the Leadership Team wants to make might impact Costs, Revenue and Profits.

CURRENT CONDITIONS

- The immediate cash flow generated by Alu's Direct to Consumer (DTC) website sales is hugely important. Every winter when the seasonal drop in DTC sales hits, Alu struggles to meet payroll and purchase materials for making the SUPs Alu needs to meet the rush of orders in the spring.
- You don't love how long it takes Boutique Retailers to pay: 30-60 days with a 48-day average. Anything Alu can do to reduce that lag between delivering SUPs and getting paid is a priority.
- You also don't love how quickly Alu has to pay for materials; in all cases less than 30 days.
- You're expecting Alu's materials costs to rise 2-3% annually, and overhead and manufacturing costs to rise 3-5% annually. Those increases threaten to eat away at Alu's already slim 5% net margin. Alu needs to get much more efficient with manufacturing and the use of materials if it wants to grow profitably.

KEY TERMS CFO'S FOCUS ON

- **CAPEX** is a Capital Expenditure. CAPEX is money that is spent to acquire, repair, update, or improve a fixed company asset, such as a building, software and equipment. CAPEX is different from an everyday business expense, which falls under the OPEX category. Think of CAPEX as money spent to buy a new car.
- **OPEX** is an Operating Expenditure. OPEX refers to the costs incurred by your business from the production of goods and services including materials, salaries and hourly wages, machinery maintenance, packaging and shipping materials, power and fuel costs, heating and other expenses. Think of OPEX as money spent on the gas and oil changes for a new car.

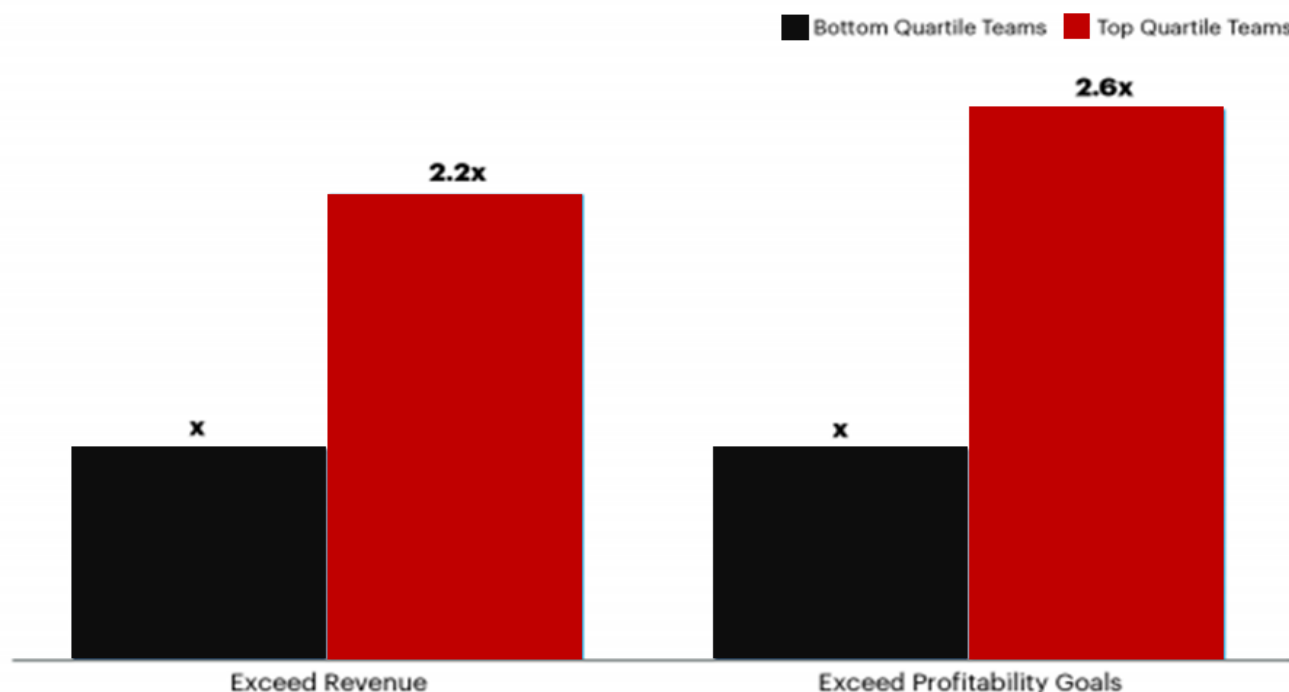
As the HR Manager, you have a strong point of view on decisions and investments that impact Alu employees. Even though it may seem focused on the employees, effective HR systems are designed to protect the business.

CURRENT CONDITIONS

- The President looks to you to be his eyes and ears with employees.
- As Alu has grown, cliques, silos, insufficient communication and a lack of planning and strategy are all big challenges. Without a major investment in HR and Employee Development, you're not sure Alu will have the right talent and culture in place to grow.
- Employees are stressed. Last year Alu finally hit the goal of selling 5,000 SUPs; a sales record the President was chasing for years. But it took a toll and people are burnt out. You hear complaints about too much overtime, all the time.

Impact of Team Performance on Business Goals

Likelihood of Exceeding Business Goals of Low- and High-Performing Teams



You manage the hardware, software, systems and processes that keep Alu running. From big decisions like how and where your data is stored to routine work like installing printer drivers and setting up new emails, if it blinks or beeps on a screen, they come to you to figure it out.

CURRENT CONDITIONS

To this point, you've managed Alu's business and production data through a combination of Quickbooks, Excel spreadsheets and grit. It was working great for years, but with the growth of business; more suppliers and wholesale customers; and the ever-increasing need for making data-based financial and operational decisions, managing Alu's IT is a real challenge.

You are excited about the President's growth vision, but you know all too well the stresses that rapid growth will put on Alu's IT infrastructure (as well as the increased security risks). You've asked for budget to integrate new technology but haven't received any.

Without that investment, managing the additional complexities of that growth plan will require significant additional IT work that may not even be feasible without the IT system upgrades you've asked for.

That being the case, you are very excited about the rumors you've heard about the President bringing in a business strategy consultant; an outside perspective could help get the organization to act on your concerns.



PRODUCTION MGR

RD-1

You manage the factory floor, techs, materials, systems and processes needed to make SUPs. Your primary responsibility is ensuring Alu has enough PRODUCTION CAPACITY to meet ORDERS each year. If something threatens to reduce CAPACITY, you do not like that thing.

You also ensure Alu SUPs meet quality standards while keeping manufacturing COSTS under control.

OPPORTUNITIES

- Materials costs have gone up and down wildly over the past several years. In addition to price spikes caused by issues beyond your control, materials costs are projected to increase 2-4% per year, every year due to inflation.
- Alu doesn't need to spend money on consultants or strategic reports to figure out that the biggest opportunity it has is to automate its labor-intensive processes. But you've got to get the basics right before you can even think about automating. Investing in manufacturing efficiency will reduce Alu's labor costs per board and reduce material waste while increasing CAPACITY. And this doesn't require expanding Alu's existing space or hiring employees.
- You're particularly interested in outsourcing production of the fins. Alu's outdated and unreliable die casting machinery is a maintenance nightmare and pain point on the factory floor.
- Production is currently struggling to keep up with ORDERS and it looks like the President and Sales Manager want to accelerate sales despite your warnings about CAP constraints. A big key to your success in the coming year is employing effective communications and accountability practices between the Production Dept. and your partners in Sales and Finance.

SUPPLY CHAIN MGR

You're responsible for Alu's warehouse and ensuring all the materials required to meet production CAPACITY are available when needed. You've spent 10 years building relationships with suppliers who can deliver the high-quality materials needed to ensure high-quality Alu SUPs.

You also manage distribution; quickly and efficiently delivering manufactured SUPs to Alu's wholesale and retail customers.

You have a strong point of view around decisions and investments that impact Materials, Manufacturing, Capacity and Supply Chain.

You're also responsible to help the Production Manager keep production costs under control.

CURRENT CONDITIONS

- Alu's warehouse holds between \$200,000 and \$600,000 in materials and finished products. Without an Enterpriser Resource Planning (ERP) system and more frequent inventory "cycle counting", Alu's annual inventory count requires adjusting inventory accounting by \$35,000 to \$50,000 every year. This drives both the CFO and President nuts.
- The current ad-hoc system arose from Alu's rapid growth & the constant need for inventory "fire-fighting", but it's not a system that's going to promote growth in the future. You've heard rumors of an opportunity to partner with a Big Box Retailer, and you know there's no way Alu could meet the volume of product and the very strict delivery demands a Big Box store would have without first optimizing the warehouse and supply chain.
- Delays and shortages of resins from overseas markets also have you concerned. It is not unusual for inventory problems to result in production delays a few times a year due to delivery delays driven by both long lead times and inaccurate inventory reporting.

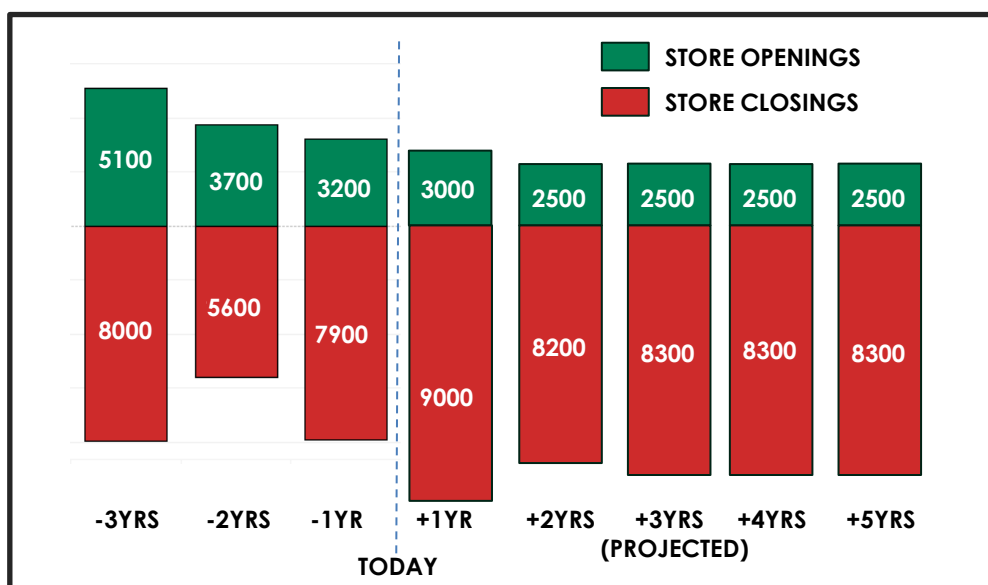
You own Alu's wholesale relationships with specialty outdoor retail customers and co-manage (with the Marketing Manager) the Alu.com website that sells SUPs to individual consumers.

Your job is to ensure ORDERS and ASP growth. You have a strong point of view around decisions that impact Alu's connection to wholesale and retail customers. You are a huge fan of anything that increases your advertising budget. But it's also critical that you ensure Alu stays ahead of shifts in consumer preferences to ensure growth and profitability.

CURRENT CONDITIONS:

- Alu makes traditional fiberglass over foam SUPs, but new, lighter, high-performance Carbon fiber SUPs are placing increasing pressure on sales.
- Alu has a very limited presence outside the tri-state region. You see huge opportunities to expand nationally thru boutique stores; partnering with a big box retailer; and/or diversifying your product line into the fast-growing inflatables market.
- Alu's current DTC price of \$1,000 is critical for online consumers who typically use a \$1,000 filter when shopping. Increasing ASP beyond this risks losing ORDERS.
- Alu's President tasked you with growing enough ORDERS to bring in \$10M in Revenue in six years. That means doubling current ORDERS and/or massively increasing ASP. Getting into lower-cost inflatables is a huge opportunity, but the President thinks it would make Alu's brand less premium.

25% OF OUTDOOR RETAIL DOORS CLOSING IN NEXT 5 YEARS



MARKETING MGR

You're Alu's Marketing Manager and been with Alu since the start. You help create demand for Alu's product while also helping ensure Alu designs and builds "must have" SUPs that customers love. As such, you play a critical roll in ensuring Alu maintains and grows Average Selling Price (ASP).

Your passion for the sport helped get Alu started. At first, you just wanted to build beautiful SUP's. You're the soul of the company and the go-to guy when anyone has questions about what consumers want in Alu's product design.

You have a particularly strong point of view around decisions and investments that impact Alu employees and how they work (or don't work) together. Simply holding the team together to maintain a \$5M business is a big job. Retaining, supporting and developing the right team and the right culture to deliver on the President's vision of a \$10M business in six years is a big concern. You see a disconnect forming between the office and the factory floor. You're concerned that with its quick growth, Alu is losing the fun-loving culture that's made it an awesome place to work the past 10 years.

OPPORTUNITIES.

- You're all about customization. CNC machining of fins would give Alu a whole new way to make Alu SUPs stand out in the marketplace.
- You'd like to build on Alu's reputation of being a premium brand by expanding into more boutique retail shops across the country. But without big investments in the CAPACITY to make more customized boards, Alu risks not having the boards to fill demand in this ultra-competitive market.
- Automation presents huge opportunities to surprise and delight consumers with the new capabilities it brings to creating Alu boards that stand out in the marketplace. It's no secret you find the President, who only likes doing things the way Alu's always done them (by hand) - a bit of a constraint to making cooler SUPs. Getting feedback from current and potential customers might help influence the President to invest in modernizing production and make the difference between designing next year's hit board or a total dud.