

Every Company Needs A CFO

By Frank J. Gnisci • Financial Consultant



Companies without a Chief Financial Officer are at a competitive disadvantage. It's not unusual for small- to mid-sized firms to have sophisticated operations and complex cost and financial challenges similar to large companies. Often the CEO or the owner of the business needs the expertise of a senior financial executive.

As an owner or CEO of a company, have you ever wondered how to solve the problems you're facing? Have you ever spoken with another owner and come to the conclusion that what you really need is the advice of a CFO, but knew that

you either didn't need a CFO on a full-time basis or couldn't afford the cost of a full-time CFO? Did you then decide to give up on finding the advice that you need?

You're not alone. And, you're perhaps doing what many owners do – trying to figure it out yourself. But, do you have the background or expertise to prepare accurate and useful financial statements, or truly understand them? And is your digging into these areas even a good use of your time? As the owner, you need to be the visionary, focusing on the future—and you're the one who should be spending more time with your customers.

What you need is the assistance of a high level financial professional. Outsourcing this function is a cost-effective alternative to hiring another employee because it avoids the cost of a full-time salary, payroll taxes, and benefits. A contract CFO is an afford

-able means to obtain that higher level of expertise and add significant value to your business. Advantages of outsourcing CFO's include:

Better financial information for key decision-making. It's a fact: most small- to mid-sized businesses either don't prepare financial statements, or they're not reliable. Another fact: you simply cannot make important business decisions while relying on bad, inaccurate, or incomplete information. If you've found yourself frustrated with the lack of information from your bookkeeper or controller, chances are the information they're giving you is of questionable value. You cannot effectively run a business in that situation.

More time to spend with customers. To be competitive, you need to spend the majority of your time with current and prospective customers (particularly in today's market). Just as you're trying to get new customers, your competitors are trying to meet with your customers. You simply need to be spending the bulk of your time with them.

More money from the bank and from vendors. Bankers and vendors are more sophisticated and less forgiving than ever. With the current financial situation affecting all businesses, creditors will refuse to lend money to anyone other than the safest and most reliable companies. And they'll require regular and reliable financial statements. The financial statements must look professional, follow accepted accounting principles, and highlight the company's key ratios. A CFO working with you on a part-time basis can improve your company's external "image" and assist you with opening doors to banks and obtaining better vendor terms.

Dear Members and Small Business Owners,

I hope this issue of Connections finds you all gearing up for the holiday season rapidly approaching. We're preparing here for our holiday break (SBRN's Jacksonville office will be closed from December 17th to January 5th) and are very excited for 2010. This past year has been cloudy for many, but the sun is beginning to peak through and brighter days are on their way! We wish you a wonderful holiday season and a prosperous New Year.

Nancy Boyle and Marice Hague

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Making Your Accounts Receivable Work for You

By Beth Lahtela • Financial Consultant



Whether you own a business, look forward to building one from scratch or are looking for new financial tools for your current employer, factoring can help you reach your financial goals.

For those of you who aren't familiar with it, factoring is one of the oldest methods of providing working capital financing to help businesses solve their cash flow needs. It's done by converting the accounts receivable of a business into cash by selling those invoices to a factor (the funding source) at a discount of the face value. The process typically works like this: you deliver a product or service and issue an invoice to your customer. Without factoring, you wait 30, 60 or 90 days for payment. With factoring, the factor immediately purchases the invoice and advances an initial payment of 70-80% of the verified invoice amount. In most cases, you'll have the funds in your account within 24 hours. When your customer pays the invoice (payment is made directly to the factor), you'll receive the remaining balance (20-30% of the invoice amount) less the factor's fee when your customer's check clears the bank.

While factoring is a commonly used tool of such corporate giants as *Georgia Pacific, Honeywell, POHR Industries, Inc.*, and others, it's extremely appealing to small, rapidly growing start-up, first and second stage companies. Frequently, cash flow problems occur at the early stages of business development or during a period of rapid growth. These difficult times often indicate that a company has not yet established the stability, equity or maturity required by bank underwriting standards for obtaining a bank line of credit. A factor evaluates the strength of a company's accounts receivable as opposed to a bank who analyzes a company's financial statements. If the business has a product or service that it provides to a creditworthy customer, then the business is a candidate for factoring. Factoring is the only finance mechanism directly linked to a company's sales. With factoring you don't have to borrow to finance growth or equity you've worked hard

to establish. In addition, factoring is not a loan so there's no debt to repay.

The main benefit of factoring is the availability of cash on a regular basis. Having cash readily available ultimately will improve profitability, fund expansion and growth while maintaining a good credit rating for the business. The cash provided in a factoring transaction enables a company to take advantage of discounts for purchases and avoid penalties and interest on existing trade purchases. Factoring also enables the business to spend more time devoted to efficient production, better service and expanded sales promotion. In addition, factoring services are less expensive than maintaining an in-house credit and collection department; the factor now handles all receivables accounting and data entry.

Consumers take part in a common form of Factoring every time they use a credit card. Every day businesses that offer customers charge privileges using credit cards is the direct beneficiary of factoring. Retail business depends upon the factoring system, and without it the economy would be seriously handicapped. In this familiar transaction, the issuing bank or card company is the factor—advancing the seller of merchandise or service cash immediately after your purchase, long before you actually pay.

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Connections

1. The act of connecting, or the state of being connected.
2. That which joins or relates, a bond or link.
3. Group of associates, often considered influential in some way.
4. **Small Business Resource Network.**

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Call Connie Pegram, Membership Chair at 220-0498
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Other advantages to having an outsourced CFO include:

- A sounding board for the owner in making key decisions
- Fewer cash flow surprises
- Better trained accounting staff
- A theft deterrent
- Better documentation and controls
- Fewer surprises relating to tax payments
- Solutions to company problems

Another Professional On Your Team

A CFO is a proactive professional that has a pervasive knowledge of information important for the owner to properly run the company. This knowledge includes handling not only financial matters but also addressing HR, operations, sales and marketing, IT, and other issues needed to help the company succeed.

A common misconception is that a CPA can take the place of a CFO. The simple reality is that a CPA cannot do the work a CFO does because each has a different set of skills. As noted above, a CFO has a broad range of experience in financial and non-financial areas. The CPA and the CFO should work very closely together, but neither has the ability to step into the other's shoes.

So when you're looking to outsource the CFO position, you need to look for a professional with more than 25 years of experience. You should be sure that the CFO is supported by a national

organization that has the resources to be able to give your CFO the support that may be needed. In finding someone with this experience level and support, it's highly unlikely that a problem or issue will come up that can't be resolved.

Avoid signing any sort of contract with your CFO. If an organization is not confident and competent enough to perform these services based on a hand-shake, consider walking away.

You should be comfortable that the fee fits well within your budget. Ask that there be a monthly "ceiling" for the fees to be paid; there should never be any surprise fees.

Finally, be sure that you're comfortable with the CFO. With a high level of trust between the owner and the CFO, the company will be in a better position to meet the challenges that it faces.

Companies without CFO's can gain a significant competitive advantage and improve profitability by outsourcing a CFO on an as-needed basis. These days, it's a wise investment, and can fit within the budget of most companies.

Frank Gnisci is a partner at B2B CFO in Tampa. He can be reached at (813) 994-0416 or fgnisci@b2bcfo.com.

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Need to create a newsletter? Not sure where or how to start? With a little planning, some creative design and easy-to-read, informative writing, you can create an effective newsletter that will enable you to connect with your target market regularly and professionally.

The newsletter creation process can be daunting, but take the time to produce it so the reader gains immediate value and your newsletter just became a useful, effective marketing piece.

If you ask any business person, he or she will tell you it's much harder to sell a new customer than to retain an existing customer. A successful newsletter campaign enables you to contact your past and current customers (and referral sources) to inform them of the latest industry news and remind them of your company's services.

To succeed, follow these helpful tips:

Develop a creative name:

Some companies send out newsletters that are simply named after the company. Where's the creativity in that? Choose a name that's clever and you have a better shot of pulling readers in and having them hang onto and read your newsletter rather than throwing it in the round file.

Your newsletter is a selling piece that can show the value and branding of your company's corporate culture and identity.

Don't skimp on the design:

Always ensure that your newsletter is designed professionally rather than in Microsoft Word. There's nothing that can hurt your image more than a "low-rent" marketing piece that turns others off before they even read a word. An attractive design teams with a creative title to ensure readers skim the piece at the very least. Even if they don't read the entire thing, they'll think highly of your company due to the high quality piece in their hands. Make sure your newsletter contains:

- Headlines that are easy to locate and read
- Insertion of frequent subheads
- Consistency of color design and layout

Be short and to the point:

Newsletters need to offer valuable information, but they shouldn't contain lengthy ramblings that turn readers away. A newsletter is a reflection of your company, its quality, service and people. Offer informative and useful information that customers will want to read and will look forward to receiving. You should strive for simplicity, avoid jargon, and eliminate any unnecessary text in the body of your writings. Clutter will detract from

your message to your consumer. A good rule of thumb: a newsletter should offer just enough information to encourage a customer to call or visit your business to learn more.

It's an excellent marketing tool:

If your objective is compiling a newsletter because you feel you have to, you're doing it for the wrong reasons. Your articles should pack a punch and draw readers in so they're more likely to flip through the entire issue. Newsletters are used to keep your customers informed, but also as a marketing piece to reach out to potential customers. Therefore, image is everything. Bring your graphics to life by including headlines, interviews, tips that relate to your service, and special promotions.

Finally, consistency is key. Avoid newsletter software that requires you to commit more time and money than you can afford. Establish realistic goals and time-tables. Also, don't be afraid to approach businesses that send you newsletters you like to learn how they do it. Bottom line: a successful newsletter campaign can go a long way in the world of small business.

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