Why would anyone need a CFO or trusted business advisor?

Before we find out, let me briefly tell you a story of an owner and his company, specifically, what happened without having a trusted advisor and what probably would have been a very different result if an advisor was present.

The owner in question operated a small construction company, offering services throughout the Midwest, primarily Minnesota, Iowa, and Wisconsin. The industry was thriving, work everywhere, just waiting for the taking. More work, more equipment, and obviously more employees—lots of them, 33 at the busiest time of work.

Work was handed out just like free drink at your neighbor kid's lemonade stand. Only one problem, there was no sugar in the lemonade. As more and much larger projects were awarded, an increased need for more "stuff" to make things work. At some point, you would think the owner would have seen the writing on the wall—you can't keep doubling the business each year! Not the case, not even close. Instead, the opposite happened, adding more employees, more unbelievable expensive equipment, and taking on bigger and bigger work, farther and farther away from home.

You may want to ask, "So what's the problem here? With all of this work, money would be flowing in faster that can be counted. Don't see the issue here!" What can't be seen is with all of this growth and perceived success, comes at a very high price—will touch on this later!

In your business, you may have experienced some or all of this type of growth as this business owner did. With the addition of more and more business, more responsibility is required in various areas, especially time, management of cash, and the need to be able to discuss important issues. The difficulty lies with one word "BALANCE."

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In this example, there was no "BALANCE" in the tremendous growth in contracts, field staff, and payables. There must be a rhyme or reason to growing at this kind of pace. At least there must be some type of accountability to manage this rapid growth. In my opinion, growing at more than a thirty-five percent pace can be detrimental to the success of your business. Let me qualify that—unless you have a trusted business advisor there to help.

Here are a few simple ways such an advisor can help:

- Slow down when you're moving too fast
- Speed up when going too slow
- Making important decisions every time, both financial and non-financial
- Have a critical, listening "ear"
- Be there when you need advice!

These suggestions may sound simplistic, but most situations can be viewed in the light. I don't know about your business, but this business owner was complicating things by concentrating on the crisis issues and not making important decisions along the way. Sound familiar? Most of today's well known motivational speakers, life and business coaches, and so on, live by this very simple principal. Putting this into practice involves discipline and accountability – that's where the value of a CFO advisor comes into play.

See any ISSUES with this business owner?

Let's get back to the previously mentioned business owner. How did he fair, without such an advisor? Since the business was growing at such an alarming pace, CASH was seldom there when needed. With growth, fixed costs rise due to more "stuff." Also, your variable costs, such as commissions, payroll, fuel, travel, etc., also grow sometimes faster than your revenue curve. More work, more money from wherever. He borrowed from the bank, from family members, and from vendors by not paying when they became due. But it seemed that the cash in the bank was never enough to go around. Paying vendors was an issue. Paying employees was an issue. Paying to just get to the next project was an issue. Not enough money to run the projects stopped the earning of revenue, which lessoned money coming in.

The next problem was managing and oversight of the employees and many projects. Have you heard this before, "I'm just too busy to take care of everything, I can't be everywhere at the same time." This is usually a sign that quality or service is being compromised, which will lead into low quality output, which in turn will eventually, in the near future, lead to "no" work. This was the case here. Too many people to manage, too many people to please. In other words, he was working for them and not himself.

Another difficulty was the home life. It wasn't uncommon for the business owner to work nearly 90 hours per week, week after week after week. I don't know about you, but this had to create undue stress on the home life. It surely did, he almost lost his family!

The end result is that the business became to be unmanageable and eventually unprofitable. It would not survive as a going concern, at least not for too long, unless something changed.

What if this business owner had an advisor —could this have made a difference?

I believe it would have! The first benefit from having an advisor or CFO is to have an unbiased opinion on how things are going. A view that is not encumbered by having to meet payroll, dealing with troubled employees, and demanding customers.

The second benefit would be that the overall company management is strengthened by receiving senior level financial expertise. The business owner knew his business, maybe even knew how to properly operate it in financial terms, but couldn't due to lack of time and proper planning. This was the case here.

The third element of having a CFO or business advisor available is the immense network of outside contacts to help the company grow. Imagine if this business owner had someone available in which capital and banking resources were only a phone call away. Lines of credit would be readily available. Outsourced human resource management to increase employee productivity. Site supervisors to ensure projects are running smoothly and on time. What a difference these types of benefits would have made for this small business owner.

The last point to make here is that having a business advisor combines the best elements of both a consultant and employee: A consultant is unbiased, specialized, experienced, and can focus on the important elements of business success. An employee can be involved in business operations, loyal to the owners, employees, and customers, and most importantly accountable to those driving the company's success.

The difference between a bookkeeper or controller and a CFO is straight-forward. The controller manages historical information that the bookkeeper puts into the accounting system – a very valued responsibility. The CFO then takes this information, uses it, adds management's input, and with their own experience, puts it into such a form to make decisions impacting the future. Controllers look back, while CFO's look forward.

A VERY different OUTCOME!

How do I know the outcome would be quite different—***because I'm that business owner***! Several years ago, I was growing so fast, I couldn't contain it. Spend, spend, spend was what I thought was my only choice to keep up. Buy to get more projects, hire to get the jobs done, and worry about the other things later. Well, it all came down to balance—is it going to be my family or my business? Decide now or lose it all! I decided to make one of the most important decisions of my life, choose my family and let all of the business go! It was the "right" choice at the "right" time. It was also a critically important decision, with a lot of lasting implications. I wish I had an advisor to help me along this up and down path to success. Now I do! Even I have a mentor that I'm accountable to, to help me make wise and purposeful decisions, and to bounce ideas off of.

On a more personal note, my passion is to help business owners not get to the point that I was. With the help of a CPA, MBA, and a small business owner as your advisor, you too can benefit from my experience, my financial awareness, and my planning expertise.