

Michigan CFO Associates

The CFOs for *Small Business*

Newsletter



President's Message: Take Stock



Todd Rammler

Summer is here and it's time to relax and enjoy the weather. . . go to the cabin, the lake, the family cottage; head up north with the camper (Ok, maybe not the camper—see the Jim Gaffigan sidebar) Clear your head. Stop the firefighting, problem solving and incessant dinging and vibrating of devices. And maybe after a week or more, begin to take stock. How's it

going this year? Are we hitting our goals? Are we on track? Are we progressing to the next level – whatever the next level is for you.

For many businesses, it's difficult - if not impossible - to tell either IF they're off track, or WHY they're off track. Because the financial reports used to manage the business are terrible. The worst of these are long, unorganized, filled with clutter, and make no logical sense (e.g., Gross Profit is negative). Sometimes, they're eight pages long. . . for an \$8M business. For many people, getting data that is overwhelming or nonsensical comes with the temptation to ignore it and deal with it another day – half knowing that 'another day' is unlikely to come. Because as a business owner, you're juggling ten different things, and don't have time to stop what you're doing to solve yet another problem that you may not even understand, and one that should be solved by someone else. If you can't make sense of the numbers, don't know what to do with the data, and don't have a clear target to compare against, you'll likely do nothing, and move to the next problem. And that is dangerous.

Do that for a few months and the business could be headed for life support.

When the business was smaller, you could get away with this because things were less complicated. You can mostly wing it at \$2M (you shouldn't, but you can). But you can't wing it at \$5M+. And the bigger you get, the more critical financial clarity becomes.

If the business isn't performing well, the defacto solution is usually the same: "We need more sales."

But if you're at or near record sales levels, shouldn't you be making money ALONG the way? If you can't make money at \$8M, what makes you think you'll make money at \$10M?

More sales might be a band aid solution, but it also might be masking a much bigger problem. Lots of businesses have doubled their sales and made LESS money in the process. Understanding the relationships

Comedian Jim Gaffigan on Camping:

"Has anyone ever really been a Happy Camper? Because whenever we use that term, we're being sarcastic. 'He is NOT a Happy Camper'. Why don't we just call him a Camper? Ya know who's a Happy Camper? The guy who's leaving the campsite. He's the Happiest Camper: he gets to take a SHOWER!"



between sales, margins, and overhead are critical. As is having targets for all of them, and monitoring them monthly. And if this isn't your strength, you shouldn't assign it to a

bookkeeper and assume he or she understands it. Because if they did, your numbers would be better, and make more sense.

Here then are a few tips for gaining clarity in your financial statements:

- ◇ Financial Statements should fit on 1 page; you need the important data, not all the data
- ◇ Remove clutter (inconsequential line items, dollar signs, pennies and decimals)
- ◇ Highlight critical relationships in the data (Contribution Margin, Gross Profit, Operating Income, Liquidity, Cash Reserves, etc.) that DRIVE results in your business
- ◇ Have a target (budget or forecast) and use it as a comparative tool to make decisions
- ◇ Review Financials monthly with the Leadership Team and have a capable financial person lead the discussion

Obviously there's a lot of details in making those things happen; more than can be explained in a newsletter article. But those are some highlights of the roadmap.

If your businesses (or one you know) is struggling with clarity in your financials – we're offering a limited time discount on our comprehensive CFO GAP Analysis (see yellow flyer insert for details). This is a great exercise to tangibly see how to finally make sense of your financial data. Take advantage of this offer while you can. I promise you won't be disappointed.

Todd Rammler

U.S. NATIONAL DEBT AS OF:

June, 2017

\$19,844,554,182,651

June, 2016

\$19,230,634,229,069

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for additional
updates!

What's Happening?

Fraud & Embezzlement In Small-Business:

How It Happens, Why It Happens, And What You Can Do About It



Join us for an in depth webinar on one of the biggest vulnerabilities in Small-Business: Fraud & Embezzlement. We'll cover the conditions that allow fraud to occur, the mindset of a person who commits fraud, actual local examples of frauds, the impact to the business owners, and practical steps for identifying and correcting weak points in your organization.

Who should attend: Business owners with 10-200 employees; Advisors & professionals who recognize vulnerability within their clients.

Date: September 14, 2017 from 11:30AM-1PM

To register: Please go to the Events page on our website at:

<http://www.michigancfo.com/publications/events-2/>

Register now—capacity is limited to 50 participants.



Have you been to www.michiganCFO.com lately?

Fresh for 2017 is the all new, completely redesigned, high-octane, low calorie Michigan CFO Website—check it out!

Featuring new tools & assessments, additional resources, the all-new CFO Blog, and much more! Check it out and share your feedback!

Welcome New Clients!



April Aluminum Blanking, www.albl.com
WBENC Certified Specialty Metals Toll Processor

Anniversaries

- 1 Year ElectroJet, www.electrojet.com
Small Engine Applications Manufacturer
- 4 Years Rave Computer, www.rave.com
Specialty Computer Manufacturer for Defense, Simulation, and High Performance Commercial Applications
- 5 Years P & P Manufacturing, www.p-pmfg.com
Manufacturer of Machined Components for Air Tools
- 10 Years Schena Roofing & Sheet Metal, www.schenarroofing.com
Commercial Roofing Contractor
Regina- Andrew Design Inc., www.reginaandrew.com
Contemporary Furniture and Lighting

The Three C's of Invoicing



Most businesses delivering products and/or services have to deal with the mundane, but necessary, function of invoicing their clients or customers to get paid. This process is often viewed by business owners as a necessary evil and most do not pay attention to the process unless they're out of cash.

To improve your cash flow and minimize the possibility of running out of cash, I've put together the following three C's for effective invoicing:

Complete Information – Unless you've sat in the Accounts Payable seat you would be surprised at the number of invoices that are received with missing or incomplete information. At a minimum, make sure the following five pieces of information are clearly visible and easy to find: invoice number, invoice date, terms, detailed description of what was sold and amount due. Also, have an easy to find remittance address (not small print at the bottom) and complete contact information including name, email and direct number to your AR person. If a customer has a problem you want to make it quick and easy to contact the right person in your office and resolve the problem. The goal is to communicate clearly with the accounts payable person and remove any barriers for getting paid.

Consistent Process – Your mantra for invoicing is like pizza delivery, the quicker the better. It's common sense right? Again, you would be surprised at the lack of consistency in sending out invoices. Some do weekly, twice a month or monthly. Invoices should go out daily or as soon as possible. Don't forget progress billings, retainers or deposit invoicing. Strive to send the invoice as an attachment by email or put them in the mail on a daily basis. Have a backup person in case your regular person is sick or on vacation.

Constant Collections & Follow-Up – Once the invoices are out the door it's imperative to have constant follow-up efforts for collecting your money. The squeaky wheel gets the grease, so create and follow a specific process. The most effective collection tool is a phone call for creating relationships with your customers' accounts payable people. Record all interactions and remind customers of missed promises. Set limits and be consistent on how much you will extend, how long you'll wait and what steps will be taken if promises are not kept. Engagement and accountability are keys to having an effective collections process.

Invoicing is a vital life line in any business and this process, like the quality of your goods and services, is a reflection on the overall customer experience. Paying attention to the three C's will insure the business is effectively and efficiently invoicing and servicing your valued customers.

Don't let invoicing be an afterthought.



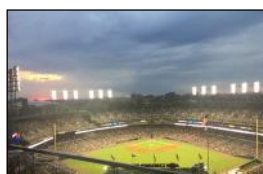
At the end of June, the Michigan CFO Team collaborated with Hitachi and First State Bank to host a networking event at the Packard Proving Grounds.



Photos from Around Town!



Michigan CFO Associates Summer Client Appreciation event at the Detroit athletic Club!



The Michigan CFO Team supported Habitat for Humanity and the Sterling Heights Chamber of commerce Pig Roast at Kuhnenn Brewing Co.



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Arch Rock– Mackinac Island,
Michigan

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below to check us out on the web!



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<https://twitter.com/MichiganCFO>

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OUTSOURCED CFO & CONTROLLER SERVICES INCLUDING:

- *TRENDSPOTTER™ Financial Statement Analysis*
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- *Financial Projections*
- *Cash Planning & Management*