

Is the Flight Attendant Flying the Plane? Mismatching Skills Causes Many Businesses to Crash

In this article I'd like to present what I consider to be a major flaw in thinking that occurs in many small businesses.

The first time we meet with a prospective client to review their accounting & financial matters, we have an informal "needs analysis" discussion. A variety of common issues come up in these discussions — cash flow, lending relationships, profitability, clarity/accuracy of financial reports, to name a few. Most business owners I talk to are experiencing one or more of these issues, but they don't all share the same problems. It's generally a combination of a few different things.

Except for one.

Before I share it with you, let me ask a couple of questions:

- Would you hire the office manager from your brokerage firm to oversee your investment portfolio?
- Would it be sufficient to use a paralegal to provide counsel on important legal issues?
- Would you be comfortable if the nurse or intern performed your surgery?
- On your next business trip, would it be OK if the flight attendant took over the cockpit controls and flew the plane?

These sound like ridiculous questions, right? But consider this all-too-common, real life business example.

I spoke to the owner of an \$8 million dollar business that was struggling. Cash was tight, margins were thin, and the bank was giving them pressure. The person responsible for accounting at this company was transferred into the position from Human Resources. . . because they had some prior experience. . . years ago. . . working in. . . accounts payable.

How is this real life situation any different from the "crazy" questions above?

The One Common Problem

The one issue that many small businesses have in common is this: the primary financial person in charge of overseeing the owner's biggest investment (i.e., the company) is in most cases a bookkeeper with little or no formal training and no real experience in accounting beyond day-to-day transaction processing. And often times, even that is hit-and-miss.

The financial oversight of a multi-million dollar business is done--intentionally or unintentionally--by a clerical bookkeeper.

How is this person going to help you build value in your business?

Mission Impossible?

Many businesses today have a Mission Statement. A typical mission statement might read something like this:

- *"We strive to be the recognized leader in the _____ industry."*
- *"To be the premier provider of _____ products."*

A lot of lip service is given to mission statements these days, so let's view our bookkeeper situation through the lens of the mission statement.

Do "industry leaders". . .

- Use financial statements that are inconsistent and inaccurate from month to month?
- Wait 3-5 weeks after month end just to get their inaccurate financial statements?
- Operate without a budget, or projection, or any written plan?
- Have uncertainty as to whether or not they're going to make payroll next week?
- Rely on clerical people to assist them in building value in their business because it's "cheaper"?

Obviously, not every business can be the industry leader. . . and not every business wants to be. But if we substitute the words "Well run businesses" for "Industry Leaders" in the above set of questions, the answers are the same.

It's going to be very difficult to be the leader in any industry if you don't know more about your numbers than your competitors know about theirs. And you're not going to get there by relying on a clerical book-keeper.

And, it's not the bookkeeper's fault. They were hired to be a bookkeeper. Not a financial advisor. Not a Controller. Not a CFO.

A Critical Competency

To build value in your business it is critical to know your key numbers inside and out. It is critical to know what happened (past), what is happening (present), and what is likely to happen (future). . . and plan accordingly. Without this critical competency, you're merely "hoping" things are going to work out.

If you're not planning you're hoping. And in the words of best-selling business author Dan Kennedy:

"Hope is not a strategy."

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