

Michigan CFO Associates

The CFOs for *Small Business*

Newsletter



President's Message

PREPARING FOR "PLAN B"



Todd Rammler

May marks the 7 year anniversary of Michigan CFO Associates, and I was recently thinking back to how things have evolved over the past 7 years. Like most entrepreneurs, when I first started out I did everything myself – administrative tasks, I.T., pricing, marketing, accounting, H.R., analytical work, and . . . oh yeah, client work.

As the business grew, more and more tasks were delegated allowing me to leverage my time where I am most valuable to the business: client delivery and business development. Over the years, we've worked with more than a few business owners to help them let go of non-critical tasks they were clinging to for one reason or another – tasks that take up their valuable time but are not producing maximum value for the business. Things like doing payroll, bookkeeping, quoting trivial new business, repairing the copier, delivering parts to a customer, and so on. An important question to ask yourself periodically is: **"Am I using my time in a manner that adds the MOST value to the business?"** We all get complacent doing some tasks we like, or we're used to doing, or we're good at, or they're fun, or we think no one else can do them – *but they add little or no value to the business.* And they can be difficult to let go of.

While tasks that get delegated may not warrant the owners time, that doesn't mean they're not important. And the further removed the owner gets from a particular task, the more critical it becomes to have a backup plan-- what I refer to as "Plan B".

We've had a number of clients that have lost a key financial person abruptly, such as a bookkeeper, office manager, or controller. Many small businesses put a lot of reliance on one individual in the finance area and don't realize how the organization can grind to a halt if that person is suddenly gone.

If the company hasn't come up with a "Plan B" for a sudden departure, it can create a lot of expensive problems, both short term and long term. In the short term, the solution might be to bring in a 'band-aid' resource that costs 2 or 3 times more and works less efficiently. Or, the departing employee may try to hold the com-

pany hostage for higher compensation knowing their unique knowledge gives them leverage.

A longer term problem may result from hiring a replacement person too quickly in order to stop the bleeding, only to figure out that the new hire is not a good fit and now you need to fix *that* problem.

A few years ago, I had a problem finding a good office manager. We changed office managers more than Jim Leyland changes relief pitchers. Maybe that's a slight exaggeration. . . but I can tell you I stopped adding their pictures and bio's to our Staff page on www.michiganCFO.com because as soon as I added it, the person was gone for one reason or another. This is not a recommended way to add 'fresh content' to your website!

The good news was that we had previously created clear, documented work instructions with pictures and checklists for this position. So a new person coming in could follow what needed to be done with a minimal amount of training time. And if push came to shove, I could follow the work instructions to get any particular task done.

Developing "Plan B" might involve:

- Process diagrams for certain activities;
- Step-by-step work instructions with screen shots of software programs;
- A library of short training videos demonstrating exactly how to do particular tasks;
- Cross training staff members;
- Job rotations;

The first step is to determine where your organization is most vulnerable if someone departs abruptly. It's fairly easy to predict what positions would cause the most grief, so there's no excuse for not having Plan B, and keeping it updated periodically.

This discussion is certainly not limited to the finance area - there are many critical positions. Creating Plan B will allow you to minimize the impact of any abrupt change, and it will also allow you to act decisively *if change is needed* in a particular position.

Best Regards,

Todd Rammler, CMA, MSA, President

Hey, it's only a TRILLION dollar increase in one year. . . NO BIG DEAL !!!

U.S. NATIONAL DEBT AS OF:

June, 2013
\$16,851,000,000,000

June, 2012
\$15,772,000,000,000

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View past

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<http://michigancfo.com/newsletter-archive>



What's Happening?

Economic Bright Spots: Michigan CFO Associates will have a sponsors booth at this years Michigan's Economic Bright Spots awards on June 27 at VistaTech in Livonia. Check out www.corpmagazine.com/events. Please stop by and see us!!!



Hot off the presses: "**8 Key Financial Questions Every Business Owner Must Answer**". Our newest report discusses 8 critical financial issues that business owners must address to produce *income and wealth* over the long haul. Get a complimentary copy for your business or your client by emailing Sandy@michiganCFO.com.



Photo Gallery

Back-to-Back: For the 2nd straight year, Todd attended The Masters at Augusta National—Golf's sacred ground. Here are a few photo highlights from the Monday practice round:



Charl Schwartzel on the tee box at #1



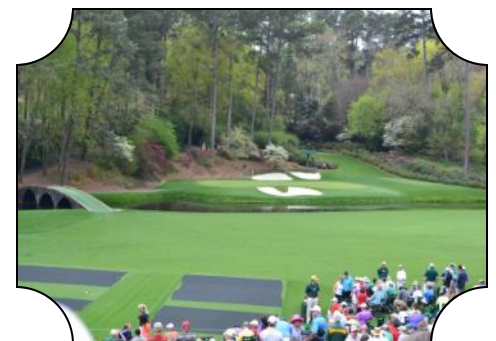
The green at #10—my favorite hole



Dennis Pellerin, Todd, and Todd's dad Harv. This was the same day Michigan played for the National Championship



Bubba Watson, the 2012 Champion, on the tee at #11 with Ricky Fowler in the background



The most recognizable hole, par 3 #12, where this year Bubba Watson made a 10 on Sunday—ouch!



Brian Bach

Business Owners, Do You Know Your PAYDEX Score?

When growing a business one of the most important areas that can REALLY impact growth is a company's access to credit.

Much like a FICO score is calculated and published on your personal credit, PAYDEX is the same concept except it's calculated and published based on your business credit activities.

PAYDEX is a numerical score calculated on a business by Dun and Bradstreet based on promptness of payments to creditors. This score is used by business credit bureaus (D&B, Experion, and Equifax) to rate a business' creditworthiness.

While individual credit scores take a number of factors into consideration, PAYDEX is mostly based on a single factor - whether a business makes prompt payments to its suppliers and creditors within the agreed upon terms of payment.

The PAYDEX score ranges from 0 to 100 (best) with a score of 80 or higher considered healthy for a company paying its suppliers and vendors on time or before they are due or past due. Today most lenders and creditors consider a good credit score to be 75 or higher.

In addition to getting a loan, having a good PAYDEX score can REALLY help a business:

- Secure a business credit card
- Open a merchant account
- Benefit from lower insurance premiums
- Build relationships and get flexible payment terms from suppliers
- Rent commercial property
- Lease or buy business vehicles

Here are six suggestions to improve you PAYDEX score according to SBA.gov:

1. Register for a Tax Identification Number - If you are a sole proprietor, consider incorporating your business. You'll use this number to file your taxes as an incorporated business and to register your business with credit bureaus such as D&B.
2. Get a DUNS Number - You can apply for a DUNS number at D&B's small business portal. This nine digit code is used by D&B and other credit bureaus to identify your business and maintain a credit file.
3. Apply for Credit From Suppliers - You can do this by applying for lines of credit to finance purchases such as office supplies, computers and inventory.
4. Separate Personal and Business Finances - Open a business bank account, put expenses in your business name and apply for a business credit card.
5. Pay Your Bills on Time - Make a habit of never missing a payment date and if your cash flow can support it, pay bills ahead of time to increase your score.
6. Monitor Your Score - Monitoring your credit once a quarter to see what's happening and how it might affect relationships with suppliers and lenders. Changes to your business, such as location, number of employees, outstanding suits/liens and revenue - can impact your credit rating.

Knowing your PAYDEX score can help you score REALLY big for your business.

Client Love . . .

Special thanks to Rick Dodaj ,
President of **DPM Manufacturing**
in Wixom for machining this custom pencil holder for us—which is proudly displayed in our conference room.

We love you too Rick!

www.dpmmfg.com



Congrats!



Congratulations to Brian's son **Harrison Bach** a 2013 graduate of Stoney Creek High school! Harrison will be attending **Western Michigan University** in the fall. . . **Go Broncos!**

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12900 Hall Road, Suite 455
Sterling Heights, MI 48313
586.580.3285



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12900 Hall Rd, Suite 455 Sterling Heights, MI 48313
586.580.3285 x 201

www.michiganCFO.com / info@michiganCFO.com

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