

# Michigan CFO Associates

The CFOs for *Small Business*

## Newsletter



### President's Message



Todd Rammler

#### What are you BUSY with?

Here at Michigan CFO Associates, we are just beginning the "busy season"; the period from mid-January through April. Not because we prepare tax returns (*because we don't do taxes* – and I feel compelled to repeat that as part of my "mantra").

Rather, we're busy assisting with year-end work needed for CPAs to do tax returns. At the same time we're finalizing budgets for the new-year, and continuing the important, ongoing financial analysis and guidance for businesses during January, February and March.

But beyond any cyclical "busy seasons", it's easy to get lulled into telling everyone in cocktail conversations how "busy" we are – not only at work, but in all aspects of life.

Some of the busy conversations are funny; some are ironic. And some are just annoying. I have a friend who begins every conversation by telling me how busy he is. The scale includes "busy", "super busy" and "crazy busy". Weary of this, I suggested that perhaps his New Year's resolutions should be to remove the word "busy" from his vocabulary.

A few years ago I was introduced to a business owner who was interested in working with us. After a meeting or two, he told me "we're really busy finishing up year-end right now, let's talk in three months". I obliged and reached out three months later and they were busy with an acquisition. Three months later they were busy refinancing with a bank. And three months later, a building purchase. After that, it was "year-end" again, and we had a conversation that went like this:

**Me:** Hey Larry, when we met a year ago, your margins were low, you weren't making enough money and your cash flow was poor. How are things going now?

**Larry:** Well, we still need help with all of those things; our sales have grown but we're still not

making the profit we should be making. . . we've just been so busy all year.

**Me:** Right, with closing the books, buying a competitor, refinancing with your bank, and buying a building. You realize those are things that we, as CFOs, specialize in, right? Along with improving profit & cash flow?

**Larry:** Um. . .

We did eventually start working with Larry. But all along I couldn't help but think "What are you WAITING for?!?! Once all the big financial decisions are complete, THEN you'll need a CFO?!?!"

In truth, most of us are guilty of allowing ourselves to be busy with things we're not good at or are not the best value-adding use of our time.

I've read two great books on this subject in the past year, and I'll share one takeaway from each author. In *Procrastinate On Purpose*, Rory Vaden notes that prioritizing doesn't create more time; it borrows time from another area. He adds: "You multiply your time by spending time on things today that will give you more time tomorrow." Seems obvious when you read it, but how many of us actually apply it? We usually revert to "By the time I explain it, I could've done it myself".

In *Crazy Busy*, Edward Hallowell asks the question: "Where do your best ideas come from? Where do you do your best thinking? For most people it's either in the shower, or in the car - because the mind is free to go where it wants. The unconscious is like a great incubator. If we are too busy, too overwhelmed, too goal directed and data driven, we will not notice the new ideas. . . and they will disappear." Hallowell advocates "unstructured play time" to engage the imagination and let the mind wander - to rise above the day to day noise.

**So what are you busy with?** And what can you spend time on today that will give you more time tomorrow?

Wishing you a slightly less-busy 2017!

#### U.S. NATIONAL DEBT AS OF:

January, 2017

**\$19,976,826,951,047**

January, 2016

**\$18,922,179,009,420**

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#### Our CFO's:

**Todd Rammler**

**Brian Bach**

**David Leo**

**Martin Hilker**

**Daniel Beardslee**

Check out our **NEW** Website at

[www.MichiganCFO.com](http://www.MichiganCFO.com)

Follow us on

[LinkedIn](#) and [Twitter](#)  
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 workshop 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:** Thursday, February 9th

**Location:** Automation Alley, Troy

**Cost:** \$25

Please email Kellee Warren at [kwarren@michigancfo.com](mailto:kwarren@michigancfo.com) to register

#### Agenda:

8:30 – 9:00 a.m. Continental breakfast & networking

9:00 – 10:30 a.m. Workshop presentation

10:30 – 11:00 a.m. Q&A & networking

*Seating is limited to 25 participants.*

### Have you been to [www.michiganCFO.com](http://www.michiganCFO.com) lately?

**New!**

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!

<http://www.michigancfo.com/the-cfo-blog/>



Brian with Mark Hackel, Macomb County Executive, at the Clinton Beer & Wine tasting benefiting the Clinton River Watershed Council.

### *Photos Around Town*

Feather Bowling fun with the Michigan CFO team at Bath City Bistro in Mt. Clemens



Michigan CFO Christmas Luncheon at Luciano's Italian Restaurant in Clinton Township

## Measuring Efficiency in a Service Firm



Brian Bach

To properly run a business, management must have a way to measure operations. In retail, it might be sales per square foot; in manufacturing it might be units produced per hour; in distribution it might be shipments per day. In service firms, they typically use utilization & realization, as it's a straight forward way to measure the efficiency of their staff and operations. The key to a profitable service business is knowing how efficient you are in utilizing your staff to generate revenue.

There are 3 components needed to properly measure utilization & realization:

Actual Hours - number of hours actually worked;

Charged Hours - number of hours charged against a client, project or job;

Billed Hours - number of hours billed to the client

Utilization & realization are expressed in percentages so you can compare them across staff with various activity levels.

For example, let's assume an employee **works 40 hours**, is able to **charge 29 hours** to projects and was able to **bill 19 hours**, in a given week.

### Measuring Utilization:

This ratio is Charged Hours (29) divided by Actual Hours (40) = **72.5%**. Essentially, this number tells management that approximately  $\frac{3}{4}$  of this person's time is being charged to a project (or being productive in revenue making activities) and the other  $\frac{1}{4}$  is administrative, paid-time-off or some other non-chargeable activity.

Utilization % measures the productivity of your staff towards working on chargeable (and hopefully) billable projects. The higher the %, the better your staff is utilized working on projects having the potential to generate revenue.

### Measuring Realization:

This ratio is Billed Hours (19) divided by Charged Hours (29) = **65.5%**. Essentially, this number tells management that given the total number of hours charged to a project, only approximately  $\frac{2}{3}$  of charged time was actually billable to a client.

Realization % measures the revenue capacity that was captured from charged hours during a given period of time. A high % mean projects were properly quoted and work was completed for the allotted number of hours billed.

### Using These Tools:

These two ratios are important tools in helping management measure productivity (utilization) and revenue capture (realization) by each employee and as a firm overall. Use these ratios to set goals and measure them on a consistent basis. If management's goal is improving profitability these can be key metrics in determining if improvements are being achieved.

### Welcome, New Clients!

**October**      **Patti Engineering, [www.pattiengineering.com](http://www.pattiengineering.com)**  
Control Systems Integration

**December**      **Proto Manufacturing, [www.protoxrd.com](http://www.protoxrd.com)**  
Portable and laboratory x-ray systems and services

### Anniversaries

**1 Year**      **UltraLevel, Inc., [www.ultralevel.com](http://www.ultralevel.com)**  
Technology solutions for business needs

**2 Year**      **PCI, Inc., [www.pci-detroit.com](http://www.pci-detroit.com)**  
System Integration & Industrial Automation  
**HRPro/BenePro, [www.hrbenepro.com](http://www.hrbenepro.com)**  
Employee Benefit Advisors

**5 Years**      **DF Benefits, [www.dfbenefits.com](http://www.dfbenefits.com)**  
Full service employee benefits brokerage



# Grow with us!

**At Michigan CFO, we're growing . . . and searching for another sharp CFO to join our team!**

Know someone who's tired of "the routine" working for the same employer, with limited career growth and little or no job security? Or maybe a finance professional who is looking for more work/life balance that provides flexibility and variety?

If so, tell them about us!

This is an ideal position for a finance professional who wants to work less hours for family or personal reasons, likes variety in their work, or wants more control over their career. Full-time or part-time are both okay.

To find out more, and/or apply, interested candidates can go to our website [www.michigancfo.com](http://www.michigancfo.com) and look under "**About Us**" and "**Join Our Team**".

**Please Note:** We are looking for financial professionals interested in a career in consulting and helping small-businesses succeed. This is not for candidates looking for "interim" work while in transition between jobs.

All resume's submitted are in confidence.

## Michigan CFO Associates

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Sled Runs at Bloomer Park in  
Rochester, Michigan

Have a smart phone? Scan the QR code  
below to check us out on the web!



For additional updates follow us on [LinkedIn](#) and [Twitter](#)

<https://www.linkedin.com/company/michigan-cfo-associates/employee-insights>

<https://twitter.com/MichiganCFO>

# Newsletter ①

## Michigan CFO Associates

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### OUTSOURCED CFO & CONTROLLER SERVICES INCLUDING:

- *TRENDSPOTTER™ Financial Statement Analysis*
- *Bank Financing Packages & Negotiations*
- *Cost & Profit Margin Analysis*
- *Financial Projections*
- *Cash Planning & Management*