NEWSLETTER

MICHIGAN CFO ASSOCIATES
The CFOs for Small-Business

U.S. NATIONAL DEBT AS OF:

January 2021

$27,678,274,970,474

January 2020

$23,201,380,134,806

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Our CFO'S:
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Dennis Weist

NEW!

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www.michigancfo.com

T.G.I. 2021!

Happy New Year! I sincerely hope you had an enjoyable & safe holiday season with as many friends and family as ~~the governor allowed~~ you were comfortable with. With the dumpster fire of 2020 smoldering in the rearview mirror, I hope you're off to a much better 2021 so far.

One thing I learned last year. . . I like a good scandal.

During 'that thing', I listened to a lot audio books on scandals and frauds. I've become a big fan of Audible, as you can listen to an otherwise lengthy book while driving, exercising or even doing yard work. Certain subjects work better for this than others – stories rather than technical.

It started with a book recommended by a friend called **American Kingpin**. An absolutely fascinating story that happened not too long ago about a college dropout selling drugs and other contraband on the Dark Web and having it delivered by the U.S. Postal Service. **The Post Office was delivering drugs**. . . and didn't know it. It was "the most extensive criminal marketplace on the internet". I've since listened to many other books involving corporate scams (Theranos), Wall Street greed, (Enron, ADM) and various con men (see a recent list on page 2).

Interestingly, there are a few common themes with these stories. First, the main characters – through greed or arrogance – began by bending the rules a little. It starts small, and then cascades down a slippery slope, usually into outright blatant fraud and deception. But at that point they believe they're above the law, either because of some higher calling, or because they've become accustomed to lavish lifestyles and don't believe they'll ever get caught.

Second, the people around them – coworkers, professionals, consultants – generally don't get the full view of what's

actually going on. The information is strictly controlled, and only provided in pieces. When something looks or smells funny, the person doing the questioning starts to question their own intelligence, experience & knowledge thinking *"there are a lot of smart people reviewing this, and they've all approved it"*. Case in point: Enron. If you had to summarize the entire story into one idea, it would be this: ***"I assumed everything was OK since _____ had reviewed it and signed off".*** The blank might be filled with Arthur Anderson, a prestigious law firm, the Chief Accounting Officer, etc., etc., etc. Every one of those reviewers had a question, but each was compromised by only getting a part of the story, and the circumstantial evidence that other smart people had approved it, so it *must* be right.

And the third component. . . in most cases the reviewer is getting significant compensation or fees, and therefore is reluctant to rock the boat.

It's fascinating to me how brazen people are and further, what they're able to get away with – at least for a while. And while Enron imploded in 2001, many of these stories took place just a few years ago and the primary players are sill in the current news (Elizabeth Holmes, 1MDB, Stephen A. Cohen).

While this may not be directly applicable to your business, it is both intriguing & entertaining, as well as reminder that when things seem too good to be true, they usually are.

So if you've burned through all the entertainment options on Netflix, page 2 has some recommended audio options for your post-holiday treadmill time.

Enjoy!

Todd Rammler

Recent Scam, Greed & Crime Audio Book List:

American Kingpin – Nick Bilton. A billion dollar online drug empire on the Dark Web built by a 26 year old computer programmer.

Bad Blood – John Carreyou. Elizabeth Holmes/Theranos fraudulent rise to a $10B valuation of blood testing technology that never worked.

The Buy Side – Turney Duff. A Wall Street hedge fund traders tale of greed, drugs, and excess.

Billion Dollar Whale – Barley Hope, Tom Wright. A Wharton School student heists more than a billion dollars from Malaysia's IMDB fund.

Black Edge – Sheelah Kolhatkar. The story of Hedge Fund SAC Capital (Stephen A. Cohen) insider trading. Also the basis for the Showtime hit "Billions" (an excellent show, btw!)

The Big Short – Michael Lewis. The sub-prime mortgage collapse.

Conspiracy of Fools – Kurt Eichenwald. The Enron scandal.

The Informant – Kurt Eichenwald. Archer Daniels Midland (ADM) international price fixing scam.

The King of Con – Thomas Giacomaro made & lost billions building multiple mob-influenced businesses, then turned government informant with a license to commit further crimes, but "just don't murder anyone" the FBI told him.

Todd & kiddos on a hike near "Tom's Thumb" in Scottsdale, AZ. No snakes or scorpions sighted!

Save the Date for Our Newest Webinar:

What to Expect From Your Finance Team in 2021

Date: **Thursday 3/18/21**
Time: **11am– Noon**
Place: **Your Computer**

Uncertainty still reigns, and getting critical financial and operational data to support decision making is the job of your CFO. ***Are they delivering?*** *What should you expect?*

We've put together an informative webinar that outlines the types of reports, the level of involvement and the financial guidance owners should be getting from their finance team as we move through 2021.

Click Here to register online or visit www.michigancfo.com/events

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HAPPY ANNIVERSARY!

6 Years: HrPro/BenePro Employee Benefit Brokerage & HR Outsourcing
www.hrpro.com

3 Years: Detroit Training Center Workforce Development www.detroittraining.com

2 Years: eMatrix Portable and Stationary Battery Mfg. www.ematrixenergy.com

2 Years: TK Mold Plastic Injection Mold Manufacturer. www.tkmoldeng.com

1 Year: HM White Industrial & Automotive Paint Finishing and Metal Fabrication
www.hmwhite.com

Why Technology.. and Relationships.. fail!

Being fractional CFO's, we get to see a lot of different applications of technology in businesses. We also get to see a lot of technology failures that end up costing two to three times more than expected while causing major disruptions to a business.

It is interesting that around 50% of IT projects fail, which is about the same rate of divorce in the United States. Could there be some common elements that lead to failure? What can a business, or partner, do to increase the odds of success?

Below are some common mistakes or assumptions to avoid before applying technology, or… making a proposal:

Not knowing what we want:

Often businesses are unclear about what problems they are solving, or what is the end goal they have in mind. They know AR collections are slow, or production is lagging, or inventory is high, but these are often "symptoms" to a problem, not the root cause.

Symptoms can often mask the real problems of mismanagement, poor communication, and lack of leadership. Being clear about how technology will be used and what problems it will solve goes a long way to a successful implementation. Same with knowing yourself before you go into a relationship.

We have unrealistic expectations:

Business owners are competitive by nature and want to grow. They often think they can solve most of their problems by implementing a new ERP system. Often they go into it with eyes wide shut believing, or hoping, the software salesperson is right.

Sure, technology can provide a framework for a business to run better, but only if there is organizational clarity and commitment to make it work. Believing technology alone will grow your business, or thinking that someone special will make you happy, is foolish. Thinking everyone will have a spiffy dashboard and work smarter does not generally happen.

We don't put in the time or resources:

Not planning for the proper amount of people time, and money resources to make an implementation, or relationship work, will lead to certain failure. One major failure issue is expecting existing staff to handle this process on top of their other full-time duties.

Having a successful IT selection and implementation requires the input from your staff as you go along. Either hire out the time intensive parts or make time in their schedules so they are not overwhelmed. Staff that is engaged from the beginning, and has the time, leads to success.

A few other tips for a successful IT project:

- Ensure your staff, who are subject-matter experts, have a say throughout the project. This will minimize missing requirements or ending up with software that doesn't work for your business.

- Remain flexible on either time, budget or scope and re-plan often. Frequently check that plans are on track, or to adjust plans, before it's too late.

- Apply a level of uncertainty to estimates from your teams to minimize the risks of unexpected delays and unknowns.

- Have a project manager, or someone who is accountable for monitoring the plan. This will help identify risks sooner and have a better chance of fixing problems before they get too far off-track.

Having a successful IT implementation, and building a relationship, are based on similar needs and understandings. Take the time to understand those needs, have a realistic plan and apply adequate resources. This will ensure long-term success!

Happy New Year!

Stay safe and well in 2021.

Brian Bach

Fun Quotes:
"The Problem With Not Allowing Intolerant Talk
Is Now YOU'RE Intolerant."

-Jerry Seinfeld

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