



Thursday, May 14, 2009

Part-time financial expertise

Firms boost bottom line with leased controllers

Jennifer Youssef / The Detroit News

When Jim Nader bought Plumb's Inc., an eight-store grocery chain in west Michigan, two years ago, its long-term financial projections seemed logical. But, in a rapidly changing business environment, the plan crumbled and the company needed assistance to chart a new course.

Lacking funds to hire a full-time chief financial officer, Nader turned to Mike Rodocker of Just in Time CFO Solutions LLC in Ann Arbor. The company offers part-time chief financial officers to help firms figure out their financial standing, find out where they can cut costs, create new sales and profit goals and get on the path to achieving those objectives.

"When we started out, we had a long-term plan but times have changed and we didn't understand what options were available," Nader said. "We weren't as good as we thought we should be in the financial area of our company."

In a slow economy -- with credit increasingly hard to get and many companies being forced to find creative ways to cut costs or risk closing -- small and midsize businesses like Plumb's are outsourcing the duties of a six-figure CFO to part-time controllers who offer their services for far less money, typically charging about \$100 an hour and working for only a few months.

Although there is no data showing that contracted CFOs are being increasingly used, anecdotally, more small and midsize businesses are outsourcing the controller's duties to part-time CFOs, said Mike Rogers, vice president of communications for the Small Business Administration of Michigan.

Hiring a full-time CFO is too costly for many businesses, he said, but they are a valuable asset, particularly in a tough economy. Companies must have their long-term financials in order if they want to grow and get a loan from the bank, especially now, when credit is so hard to get.

"You can't afford not to have that kind of expertise," Rogers said. "In today's lending environment, it's crucial. Lenders want to see professional (financial projections)."

Most business owners are so busy with other aspects of the company such as selling, marketing and the product or service itself that they only focus on getting through each month and don't pay attention to setting and achieving financial goals, he said.

Rodocker has worked with Plumb's two or three days a week for the past eight or nine months, saving the company at least a projected \$100,000 annually by renegotiating bank fees, utility costs and identifying other

ways to lower operating costs.

Part-time CFOs save money

Part-time CFOs provide businesses with financial expertise at less than half the cost of a full-time staffer, said Todd Rammler, president of Michigan CFO Associates. The company is 3 years old and has two CFOs.

"A lot of times, a small business owner doesn't know what questions to ask the controller when something doesn't smell right," said Rammler, who had worked as a finance director for an auto supplier for 13 years before the company was sold.

He and Nancy Miller, the company's other CFO, help clients think about their long-term goals, get financing and find ways to cut costs. They also work with companies to develop sales and profit projections. "They know what they want but they don't have it written down and they don't know how to get there," he said.

The CFOs go over companies' financials, discuss necessary budget changes and help them decide what purchases they should make and find marketing solutions to meet their goals and objectives, Rammler said.

Difficult business climate

Today's challenging business environment is fertile ground for part-time CFOs, said Mike Colella, a partner at the financial support services group at Plante Moran. Part-time CFOs are a cost-effective option for companies that don't have the money or need for a full-time controller, he said.

"These challenges definitely create more need for financial expertise," he said. With a part-time CFO "you can get a pint instead of a gallon if you don't need the whole thing."

Brian Bach of CFO Services, LLC in Troy started his company last year with three clients and now is working with seven. Having spent the past 25 years as a CFO for a rug company and a marina, Bach said he thinks he has the necessary skills.

"It is really taking off," said Bach, the sole CFO in the company.

"The economy has a lot to do with it; businesses are facing challenges they've never had before and people are looking at different ways to face those challenges."

Bach works mostly with companies with revenues in the \$2 million to \$10 million range -- that can't afford or don't have a need for a full-time controller.

Part-time CFOs are "guiding them along the path so they know they're doing the right thing.

"We understand the business side of business," Bach said.

Options in a slow economy

When the economy was humming and banks freely loaned money to just about anyone, businesses weren't forced to think of creative ways to save money or get more funding, Rammler said.

Now companies must seek other options and have a viable financial plan before even thinking about going to the bank.

"Pain will generate a need for some solutions," he said.

Rodocker credits a slow economy for an uptick in his six-year-old business.

"Definitely it is helping," he said.

And it could get better for these companies.

"I think it's a tremendously innovative concept," the SBA's Rogers said. "It has a very bright future."

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