

Get financially savvy with your finance department

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By Frank Williamson

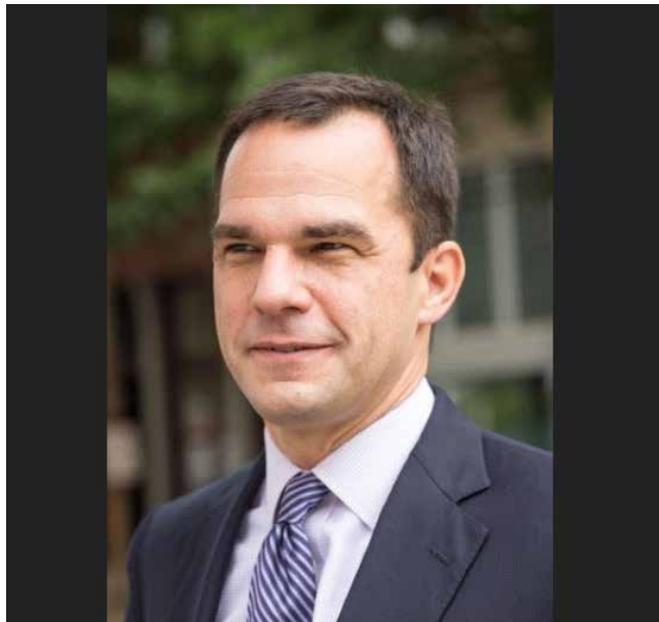
Guest Blogger

From solo-entrepreneur to large-scale enterprise, every business owner understands the need for a sound financial strategy to guide business growth and maximize profits.

When it comes to navigating the financial side of a company, business owners have a responsibility to make appropriate and thoughtful fiscal decisions.

Being financially smart with a company's financial department can be done in three primary ways:

1. Know your in-house needs. The CFO might be one of the “big three” c-suite positions, but for many companies, this level of financial acumen on the payroll is unnecessary. If business decisions regularly require key financial insights about the company—insights that may need time to prepare and evaluate — a CFO may be appropriate to keep on staff. If, however, your financial needs lean more toward keeping up with payroll and monitoring revenue and expenses, a bookkeeper or CPA, either on staff or outsourced, can be a more cost-effective way to get the financial assistance you need. After all, why pay for Wall Street experience every day if you aren't actually using it? It's also wise to be cautious of the do-it-yourself option. Unless finance is where they shine, CEOs that spend a significant amount of time in the business books lose time that should be used to grow the business.



Frank Williamson

continued on next page

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2. Understand when heavy-duty financial insight is needed. Even if a CFO isn't right for your business just yet, a small business may at some point need high-level financial planning or in-depth financial analysis. Business owners don't want to miss a growth opportunity simply because it doesn't have the right internal financial knowledge to make a sound decision. In these cases, third party advisers, such as legal teams, business consultants, financial specialists and others can step in to provide effective counsel when it's needed. The key is to know when it's appropriate to seek this advice.

That tipping point usually comes when the business is either beginning or considering a period of transition, such as making a major expansion, bringing on an investor, planning for a significant restructuring, and certainly selling the business. Such times merit a hard look beyond the financial numbers themselves, and require a deep dive into the story the financials tell about the business. That is, maybe one segment of the business or customer relationship is trending far ahead of the market, or another is creating a drag that is being hidden by successes elsewhere. Most always, transitions will call for research into a company's financial trends, histories and projections.

3. Get the right advice for the right price. A business' finance strategy includes looping in the right people at the right price and payment structure for your company. For example, lawyers will be able to assist with risk analysis and contracting for a business-growth move, but they may not have the market experience and financial skill that a banker or financial specialist might have — and that your company needs. Depending on the matter at hand, an investment banker or a business/financial consultant could help guide a company through a transition like a sale or an acquisition. But, how you'll pay for that advice may look quite different. Consultants may charge higher hourly fees than an investment banker. But when transactions are involved, an investment banker could take a significant portion of take-home income as his commission — meaning the net profit you had in mind for your retirement may not be the figure you end up with.

Bringing fiscal responsibility to the finance department is just as important as any other area of the business. It's all about balancing your company's growth and opportunities with the appropriate level of expertise you need at that specific time in your business' life.

Frank Williamson is the founder of Oaklyn Consulting, a strategy consulting firm that serves businesses across the Southeast in a range of industries.