



**Taking Stock of Your Company:
Are you ready to hit the street running?
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If you own a small- to mid-sized business (SMB) you know what the last 12 months have been like. The smart SMB owner looks to the future and does not dwell on the past. We have all suffered stress and set-back, but there is a glimmer of hope on the business horizon, and now is the time to take stock of “How” we run our companies. In the February Balog + Tamburri, CPA’s Whitepaper, we offer some “End of Year House Cleaning” tips we need to consider as we move into the upcoming business year.

1. Take Charge of Your Cash Flow Contrary to what your financial statements show, profits don’t count. Most SMB’s go out of business while their QuickBooks statements show they are profitable. Companies run on cash. Good old fashioned “Dead Presidents!” There are a few things you need to review if you are constantly strapped for cash.

1. If you extent your customers credit using “House Accounts” rather than credit cards, know the number of days it takes for your customers to pay you. This Days Sales Outstanding, or DSO, is the time it takes for your company to collect cash from a sale. If this is longer than 30 days, consider charging interest on any open balance after 30 days. 1½% per month is typical. If this is a problem, fire your customer. You are probably loosing money on the transactions.
2. Be sure your invoices are correct. Billing errors constitute the single, most common reason for customers delaying payment.
3. If you take credit cards, shop your merchant services account. Rated can vary as much as 100% from provider to provider. Also, look into PayPal as an alternative. It may be a bit more complicated, but they pay interest on your business account.
4. Pay your suppliers wisely. Consider taking advantage of early pay discounts (2% 10; Net 30). If they do not offer an early pay discount, pay on the 30th day using a credit card if you can. That way you keep your cash an additional 30 days, interest free depending on the terms of your card issuer.

Our Virtual CFO and Controller Services group can provide as much or as little support and assistance as you need. We can make a significant positive impact to your cash flow

because we have Walked-The-Walk. For more information on how Balog + Tamburri, CPA's can improve your cash flow, visit: <http://www.flgacpa.com>

2. Spruce-Up Your House If you want to generate new business, maybe a little housekeeping and rethinking your image might be just the ticket. If clients and customers physically come to your office, small cosmetic office improvements can have a significant on first impressions. Cleaning carpets, fresh paint, clean or recover the furniture in your reception area are all small budget projects that provide huge returns. Other easy and cost-effective ideas to revamp your business' image include:

- Renew and update your website. Today, the newer technologies allow for more action and movement in your website, if you like that kind of thing. Does the website reflect your current products and service levels? Look at the competition; look at companies that you admire. What are they doing?
- A new Logo that shows progress and a new vitality. Today, graphic designers are very hungry, and the fees are very negotiable. Offer them a "by-line" or credit in your advertising as total or part of the fee for their work. It never hurts to ask.
- Your message to your customer base and the effectiveness of your branding are critical aspects of your ability to take customers away from your competition. For a recommended business cleaning service that won't clean you out of cash, visit: <http://www.flgacpa.com>

3. Motivate your employees Remember, companies do not create profits, the people in the company create profits. Your strength lies in your employees. In order to cope with the financial restrictions many SMB's face, there is a good chance that you have combined jobs and reduced staff. Is your bookkeeper now also answering the phones? While this may make perfect sense to you from a cost point, you may have created a motivation issue with your staff. Worse yet, you may have opened yourself up to a lawsuit. New HR laws provide greater ease for employees to sue their employers for such arrangements, earning them large awards at the cost of potentially shutting down your business. Consider hiring an HR Consultant to review your employee handbook, job descriptions and personnel policies. For our list of recommended consultants, go to <http://www.flgacpa.com>

Always remember, a business is a profitable, ongoing enterprise that works without you. Be a leader. It is very difficult to focus on corporate planning when you are spending your off-time keeping the books, or calculating the payroll. Outsource the financial and technical aspects of the business that are not your strong suit, and focus on what makes your strategically superior to your competition. Now is the time to become a true leader. Reintroduce the corporate vision. Share your fire and drive with them. Ask them for their support. You then will be able to separate the wheat from the chaff. The labor market is HUGH. Take advantage of it and clean house if necessary. But take care of your core group of employees as a coach and a mentor. Some recommendations are:

1. Be sure all employees clearly understand what specific objectives, clients, contracts, or sales are important TO YOU.
2. Engage them to develop new ideas.
3. Listen to them, you will learn volumes
4. Provide positive feedback and constructive criticism when appropriate.
5. Let them run with their ideas.
6. Give them ownership.
7. Avoid micromanaging.

The results will amaze you.

Finally, look for quick ways to provide your employees with benefits that might not cost you a cent. Offer benefit-enhancements, like AFLAC, Prepaid Legal Services and Identity Theft Protection which is paid by the employee. These can mean big savings to the employee and a good image for you as a caring boss!

4. Mine for Cash You earn revenues on what you SELL, you incur costs on what you DO. Look at the processes and activities you perform in creating and delivering your products. Understand the cost of each activity. Then ask, “Why do we do this?” If you can’t find an answer, maybe you should not do it!

We work with our clients to significantly increase their profits, without an increase in sales, just by analyzing why they perform activities and how they spend cash. In one company just by reducing the cash consumption of one activity by \$7, we dropped over \$342,000 to the bottom line, because they performed that activity 48,900 times a year! That turned a seemingly bankrupt company into being publicly traded within 18 months.

5. Don’t Rely on Conventional Wisdoms Your staff expense accounts for about 40% of your total business operational expense in most cases. Reducing staff is not always the answer. Here are some topics for consideration:

- Revisit your unemployment insurance and workers compensation costs.
- Workers Compensation insurance premiums vary widely. Shop around. Be careful of PEO’s that offer package deals. Most insurance carriers can provide a quote. Go for the lowest you can find. It is all the same.
- Not all overtime is bad overtime. While you pay more per hour, **you are NOT paying benefit costs on overtime pay**. You can meet demand, keep headcount low and reward those employees who really want to work the extra hours.
- Take a look at who is leaving for other jobs. Are you losing your key folks to the competition? Remember, they not only take with them their skills, but your business secrets as well. Take good care of your “Franchise Players!”
- Shop all employee related expenses. From payroll processing to health and life insurance. Explore every available option for your benefits. Don’t leave it up to your broker. Visit the following link on our website for our Strategic Partners

who may be able to assist you in your search These firms are tested and approved by Balog + Tamburri, CPA's. <http://www.flgacpa.com>

- **6. Evaluate the Information You Get From Your Accountant** Do your accountant seem to be focused on where you were last month, or do they work with you to help provide a clear vision of where you are going next month? At Balog+Tamburri CPAs, we believe that SMB owners should guide their business by looking out of the windshield, not the rear-view mirror. SMB's that are profitable over the long term all have one thing in common; they plan to be profitable. Your accounting group or firm, in addition to providing the normal routine monthly financial statements that tell you where you were, should be:
 1. Working as a team member with you to develop your long range (1 – 3 year) business plan,
 2. Assisting in the development of the 90-Day 180-Day and Annual budget and business forecast to clearly quantify your business objectives,
 3. Working with your staff and operations managers to define and develop performance standards that ensure the achievement of your plans and forecasts,
 4. Providing timely variance analyses that not only show budget v. actual, but also provide help in identifying the causes of unfavorable results, and
 5. Working with your folks to help develop new procedures to maintain an environment of Constant Improvement

That tell you where you are going and how to get there; for the same fee. In today's automated environment, these should be no-brainers.

It is your Business. Demand the best. If you want more from your financial group, consider a free consultation from the professionals at Balog + Tamburri, CPA's. It won't cost you a dime, and it can provide you the strategic advantage you need to generate a quantum leap forward. Knowledge is power. It is up to you.

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