

Haste makes waste

Don't let your lack of time steal profits. **Interviewed by Arthur G. Sharp**

There are times when owners of small businesses (up to \$10 million in annual sales or 50 employees) become overextended and lose the ability to closely monitor their companies' finances. Often, the culprit is simply a lack of time to manage financial data. When this happens, the results can be potentially devastating, especially if they do not act quickly to regain control of their finances. Fortunately, they don't have to do the job by themselves.

Smart Business spoke with Deborah Herr, of Skoda, Minotti & Co. Small Business Services LLC, about some of the solutions available to help small business owners control their financial issues.

What common financial issues do small business owners face?

Many financial problems result from the growing demands on the time that owners have to commit to their businesses. Additionally, owners may be unable to read balance sheets, understand cash flow management, meet tax deadlines or recognize when they are receiving delinquent payments from customers — or not getting any payments at all.

Tracking finances simply overwhelms business owners at times, especially those who are just starting companies or whose entrepreneurial skills lie elsewhere. When they get too busy, they may lose track of their backlogs, which can have a significant adverse effect on their finances.

Other concerns may include owners who do not track invoices or know which customers are tax-exempt. Or they may employ Excel or similar spreadsheets to keep financial records instead of utilizing more advanced financial software.

Some business owners get so busy they may reconcile their checkbooks only once a year. That really does not tell them anything about their companies' financial picture and delays the discovery of problems that might have started earlier and continue to worsen.

What signs can indicate an owners' loss of control over finances?



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They include tax notices, high bank fees, increased personal workloads, and exorbitant fees and penalties paid to service providers and suppliers. These fees and penalties might include mounting finance charges for late payments to suppliers or banks, or escalating fees paid to tax preparers for increased levels of services mandated by additional oversight of companies' financial records.

When small business owners notice these signs, it is time to consider adding staff to help track finances or working with a financial consulting firm for advice and help.

How can financial consulting firms help?

There are several ways, depending on the firm's level of services. Some financial consultants might only offer data entry. Others might be one-stop firms that provide a wide range of services and personnel, ranging from CPAs to experts in bookkeeping, tax reporting, and accounting software support and training.

For example, the consulting firm's financial training specialists might be able to provide business owners with assistance in identifying shortcuts to regaining financial control or suggest ways the companies can stop 'expensing' everything it purchases.

What criteria define a good financial consulting firm?

One significant criterion is whether the firm specializes in small business services. Financial advice that might resolve *Fortune* 500 companies' issues might not work for small businesses — and vice versa.

So small business owners should be looking for consulting firms whose staff members are well trained in managing financial data and the use of software applications appropriate to their company size, or which can provide temporary staff members who can perform the functions required to upgrade cash flow reporting and accounting systems. As an alternative, business owners might look for consultants who can identify people on their own staff with the skill levels to help, and who can provide whatever training that other staff members require.

Another consideration is the level of information technology the consulting firm provides. Some firms can provide remote online data processing services to the point where they can remotely take control of your computer to handle the entry of data.

How do small business owners benefit from partnering with financial consultants?

The short answer is that the consultants save the owners money and time. They help solve cash flow issues, restore accounting/financial books in an orderly fashion, reduce fees and penalties, and even assist to resolve tax authorities' notices.

More importantly, they can help you get back to applying your entrepreneurial skills to growing your company, which is what you probably intended to do when you started your business.

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