

## THE CFO HAT

### How Small Business Owners' Can Save Time and Money by Systematizing Financial Functions

#### Introduction

I sat at a table at the bottom of an escalator in the historic Merchandise Mart building in downtown Chicago and waited for my business partner to arrive. For well over a year, we'd spent most of our spare time building a hedge fund strategy. Our concept used artificial intelligence (AI) to achieve superior financial returns. I prepared marketing materials and operational plans from my apartment in Philadelphia, while he perfected the algorithms from his home in upstate New York.

And it had worked! The technology was back tested using market conditions from 2000 to 2016 and had vastly outperformed the S&P 500. We had met with a number of hedge funds in Manhattan to discuss our results. These funds politely indicated interest, but were evasive whenever we suggest a path forward for collaboration. Even so, we had discovered an exciting new prospect. A hedge fund in Liechtenstein was developing a brand-new fund, which it informally called the "AI Sandbox". The idea was to assemble a portfolio of technology driven money management strategies that would provide investors exposure to the next breakthrough in asset management. Those strategies that performed well would see large increases in their funds under management. We were ready to take our first steps into a brave new world.

I hadn't been waiting more than ten minutes when my business partner Matt arrived. We hastily exchanged the obligatory pleasantries – *How was the move from Philly to Chicago? Are you getting settled in? How's your wife doing? How was the honeymoon?* Truth was we were anxious to get down to business. For over a year, we'd hatched our entrepreneurial plot from separate locations while working full-time jobs. Now we were colocated and committing ourselves to the endeavor full-time.

But something seemed... *wrong*. Matt furrowed his brow and fidgeted ever so slightly in his chair. The news was bad, "Liechtenstein doesn't seem to be going anywhere. I can't get a straight answer on where they stand in raising capital for this AI Sandbox. I'm not sure we can make this hedge fund self-sustaining before you and I run out of money."

My heart sank. One step into our brave new world and it seemed our leg was stuck in a bear trap. All of that work... leaving my job in Philadelphia... moving my wife of only two months from our East Coast home to the Midwest... had it all been for nothing? Had we been defeated before we'd even started? What now?

These thoughts seemed to race through my head all at once, inducing a nauseating panic. Then Matt continued, "Maybe we pursue an acquisition strategy...?"

*A what?! We'd put everything we had into our hedge fund ambitions. We'd never discussed a Plan B.*

“What if we buy a business...?” I raised an eyebrow in skepticism as Matt continued, “There is an aerospace engineering firm in Chicago for sale. With our technical backgrounds, we could operate it for cash flow. Something like that would give us enough cash to get this hedge fund off the ground...” Matt continued, explaining his plan to keep our entrepreneurial dreams alive. I took a deep breath and tried to regain focus. Finally, with apprehensive resignation, I leaned in to hear more about our new strategy.

We didn’t buy that aerospace engineering firm, nor did we ever return to our hedge fund. However, Matt and I now own and operate multiple printing companies that specialize in serving local government.

*And it’s been quite a journey.* Buying a small business can be a path to a fulfilling career, great financial reward, and personal freedom. It is also fraught with challenges that the normal 9 to 5 corporate employee will never experience.

The small business owner must develop company strategy, respond to customer complaints, engage in marketing activities, ensure product and service quality, manage employees, resolve workplace disputes, and decide when to hire and fire. There is no doubt that business ownership is demanding.

*Oh, and then there’s the bookkeeping!* Have you reviewed your bank activity today? Do you review it *every* day? Are you properly classifying each bank transaction to the correct general ledger account? When was the last time you completed a bank reconciliation? When do you capitalize an expenditure?

*And the bookkeeping tends to be the easy part... how are you dealing with human resources requirements?!* Is your employee handbook up-to-date? Have all employees signed a handbook acknowledgement form? Have you assembled a competitive benefits package in order to hire and retain the best employees? Have you laid out all the necessary safety protocols in a separate publication? Are you susceptible to employee law suits?

*How are you dealing with other legal compliance issues?* Are you completing your sales tax filing as required? Do you know how often you are required to file? Does the state in which you organized your legal entity levy an annual tax for that privilege? Does the state require an annual report? Do you know when it is due? Who serves as your registered agent?

Let’s be honest... dealing with these issues is *not* why you went into business. You should be focused on serving your customers, not wasting brain power on bean counting and jumping through government hoops.

The Bible tells us that *the love of money is the root of all evil*. Well, if that’s true, then I suppose that the *management* of money and regulation would be the *root of all hassle* – at least for small business owners.

At the time of this writing, I have spent years serving as Chief Financial Officer (CFO) of several government services companies. In that time, I developed simple systems to ensure accurate accounting and regulatory compliance. These systems require a little bit of learning, a few basic tools,

about an hour of work each week, and the discipline to establish a consistent routine. I have written this book to provide you, the small business owner who wants to get back to his or her *actual* business, each of these.

To some extent, these systems rely on working with the right partners. Intuit QuickBooks Online is my recommended accounting software. ADP is the world leader in executing payroll and human resource compliance. Citrix provides a reasonably priced solution for file sharing among collaborators and Zoom allows colleagues to communicate from various locations. Meanwhile, Carbonite will work in the background and backup your essential work files in preparation for the rare, but inevitable computer crash.

These service providers charge a small monthly fee for their services, but, if used consistently, can save small business owners tens of thousands of dollars in legal and professional fees paid to fix issues after the fact.

This book explains how these partners aid small business administration at a conceptual level. We will focus on how these service providers can improve your efficiency.

With the right partners and a consistent routine, any business owner can, for a short time each week, effectively don the *CFO Hat* and achieve excellence in standard CFO functions.

It is *not* the purpose of this book to walk the reader through step-by-step execution of the necessary functions. Interaction with each of these providers is through a web-based portal. Such web portals are continuously being updated and reformatted – any attempt to create a user manual would be outdated by the time it went to print.

Not to worry, though –these partners have exceptional customer service resources that will help you navigate their portals and execute whatever functions are necessary. Once this book explains *what to do*, these providers will walk you through *how to do it* in no time at all.

**Comments on the organization of the book – write when book complete.**