

Costs of business and pleasure

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Business Strategies

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Jackie and Johnny Startup are in their fifth year of business and revenues are climbing. The business is making a reasonable profit, so the couple decides it's time to build their dream home in Parkland.

Johnny also has had his eye on a Bertram yacht, but Jackie wants to take a long vacation this summer.

How can they accomplish their goals without bankrupting their business?

Before business owners like the Startups embark on their personal dreams, they should take a hard look at their planning for their business and how much cash is really available to them, says Jerry Mills, founder of B2B CFO/CIO in Phoenix.

Mills, who shares his experiences working with businesses in his book *The Danger Zone*, says expanding businesses need an infrastructure -- a foundation for growth. "They don't have the time to do it and they're just not good at it," he says.

Often, these business owners outgrow their infrastructure. Their financial statements are often incorrect. They're not keeping tabs on their inventory and they may be overpaying on taxes, Mills says.

But they have cash in the bank. "They think they're making a lot of money so they take some out and build a new home."

Mills says he once was talking with a business owner who was telling him, "I don't have enough money to make payroll." Just as he said that his wife pulled up in a new Mercedes.

Business owners need to plan their sales growth for the next five to 10 years, he says, so they're able to accomplish their business goals and the lifestyle they want. "Set aside a budget of money you're going to spend," he suggests.

"If a client has a little over \$1 million and wants to take out \$350,000, it's his company. It's OK. I'm not here to be the boss," he says. Mills' role is to point out to the owner: "Here's the cash you have and here are our obligations in terms of overhead and taxes. If he can do what he wants to do and we have a plan, everything is OK."

When a business is small, an owner who had a crisis, such as meeting payroll, would solve the problem by dipping into their own money and then move on. "Now the company's too big. They can't do that," Mills says.

When Mills has a new client, he reviews the company's balance sheet and statement of cash flow to make sure everything is correct. Often the amount of cash available is wrong, he says.

"The owner has \$1 million on the balance sheet, but when we look at it, only half is good. There is only a half million of inventory," he says.

And account receivables -- money owed the company -- is often wrong or aging. "Business owners are so busy building relationships, they don't notice," he says.

Mills works with clients, acting as their chief financial officer, to help them wring more profit from their businesses. For one client, Mills intentionally dropped sales from \$60 million to \$40 million, but increased profit margin. The company's focus had been discounting its product to increase sales.

He helped a couple build a plan for their event business that was affected by travel and meeting cancellations after 9-11. "Banks didn't want to touch them," Mills says.

"They're going to ask questions. I come to the table with a plan of answers to those questions," says Mills, whose father was a banker for 30 years.

With some help on planning and getting bank loans, the event business has bounced back in a big way.

Planning pays off, Mills says. Like the hypothetical Startups, many of the business owners he has worked with have been able to take a three-week vacation or build that dream home.

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