



CFO ADVOCATE

Quarterly Newsletter of the Atlanta CFO Roundtable

Fall 2005

Driving Corporate Growth

Many CFO's ask me how to increase their job longevity. There is only one answer to this question. Expand job responsibilities beyond assuring the financial statements are presented on time. The senior financial executive has to be actively involved in the growth of his or her company.

Through my CFO and Controller Roundtables and direct communication with many senior financial executives, I've learned about ways financial executives are driving the growth of their companies. Examples that fuel the internal corporate growth engine include:

- Utilizing a variety of financing vehicles to obtain additional liquidity.
- Working with the executive team to develop sales professional compensation, which rewards salesmen for focusing on sales with greater profitability.
- Working with sales reps in the field when they encounter perceived internal corporate "red tape". In many cases, there are opportunities to streamline processes by easing overly restrictive controls or eliminating previously unidentified bureaucratic bottlenecks.
- Initiating meetings with industry specific business strategists to provide guidance for growth.
- Evaluating and improving health and other corporate insurance policies to attract and retain employees.
- Developing tax strategies, which produce significant savings to free up cash for other productive uses.
- Finding value in liabilities by taking aggressive stance on discounts by vendors, and getting rebates on credit cards, all of which provide cash for growth.
- Relocating plant controllers to the factory floor vs. 'ivory tower' offices. This allows them to better see what is going on in real time. They are part of the floor team and therefore are more accessible to concerns which otherwise would not be communicated to the proper parties for action.
- Negotiating with banks to reduce account and credit card fees.
- Doing homework on competitive vendors and using information to achieve best pricing without necessity of changing vendors.
- Securing State tax credits for software installation (training credit) and Federal Income payroll tax credits for certain geographic areas.
- Developing strategies on timing of inventory purchases to balance tax reduction, holding costs, and pricing trends.

IN THIS ISSUE:

Driving Corporate Growth–

What can CFO's do to increase job longevity

Should We Outsource HR?

What are Other Companies Doing

Top 10 Lease Negotiation and Site Selection Mistakes

Results from a recent survey

continued on page 2

-
- Working with the purchasing department to develop policies and procedures for inventory, supplies, and even capital expenditures to eliminate waste and maximize rebates.
 - Analyzing sales profitability by vendor, and subsequent vendor selection.
 - Analyzing sales profitability by customer, and subsequent 'firing' of certain customers.
 - Implementing travel and entertainment policy to maximize cash flow and eliminate waste.

Several CFOs are taking an outward focus and evaluating business opportunities that create competitive advantages. Examples include:

- Expanding current business territory to increase profitability with limited investment.
- Creating a strategy and business plan to enter a new business sector.
- Going on sales calls to better understand challenges being faced by sales reps in the field. One such sales call resulted in development of a customer financing plan with an independent financing company which allows the customer to make payments over time, and also mitigates corporate A/R exposure, helps collect past due accounts and allows company to increase the size of customer orders. As a result, finance is viewed as an asset to the sales team rather than an adversary.
- Investing strategically in IT (Information Technology) to improve customer experience when interacting with the company website, providing easy product catalog access, allowing customers to efficiently perform their own inquiries on product features, appearance, availability and secure order status updates.

- Creating online E-Commerce solution allowing customers to purchase directly online which provides for cost savings in customer service areas and improvement of customer satisfaction at the same time.
- Selecting facility sites for maximum strategic advantage.

By taking on responsibilities that improve profitability and growth of the company, the senior financial executive should be able to better position his or herself for a long term relationship with their current employer. Come to one of the roundtable meetings and learn about what your peers are doing to drive growth in their companies.

Also, contact me with other questions or ideas at Michael.Levine@rhmr.com or 404-261-3229.

Should We Outsource HR? What Are Other Companies Doing?

Should we outsource our human resource functions partially, or totally? Should we retain these services in-house? As any consultant would answer, "It depends." First, what are we talking about? Using large companies as a gage, the list includes managing payroll, employee health and disability insurances, worker's compensation, pension and/or 401(k), governmental compliance and reporting, safety and risk compliance, employee help desk services, human resource services, training and development, recruiting, background checks, and testing of new hires.

Large companies often decide to outsource non-core areas such as payroll, employee benefits and administration, recruiting, and new hire testing. Even though some functions are frequently outsourced, large companies rarely outsource total functions.

Managing human capital is considered a critical key to company success. However, many outsourcing decisions are made by functional experts who lack the strengths in financial, business, or sourcing skills which are essential for outsourcing success.

Medium size companies tend to be hybrids in outsourcing. Most prefer in-house management, but some mirror larger companies in outsourcing some of their human resource requirements, such as governmental compliance, safety and risk compliance, employee help desk services, basic human resource services, training and development, recruiting, and new hire testing. Payroll companies have extended their offerings to cover many of these areas and call them an Administrative Services Only solution, or "ASO."

A number of medium sized companies prefer to outsource everything, including transferring their employees to become legal employees of the payroll company, which, in turn will provide employee benefits. Again, payroll companies offer this co-employment option and call the service a Professional Employer Organization, or "PEO". Selection of In-House, ASO, or PEO alternatives in a medium sized company tends to depend on risk factors, company culture, but mostly economics. We observe that most medium size companies prefer In-House management.

Smaller companies, particularly high growth companies, often lean toward the ASO or PEO models. Frequently they begin with the PEO model and gradually pull in-house functions that can be handled better or more economically in-house. Here the primary decision factors are time, internal resources, risk, and economics.

In making most of these decisions, companies often don't have the time, resources, experience, or knowledge of what to do, whom to select, or how much should be paid. To make matters worse, companies often ask for advice from their PEO/ASO vendors and go with the best sales story or sales personality!

Whether a large, medium, or small company, we recommend you hire an independent trusted advisor to help determine what is right for you, which provider offers the lowest total cost, and who will optimize your needs both now and in the future. Your selections should depend on your strategic needs, optimized cost, and company culture.

Jim Villwock

IEM Group, Inc.

THE TOP TEN LEASE NEGOTIATION AND SITE SELECTION MISTAKES

The following list of common mistakes is the result of a survey taken. Participants drew from an average of well over 15 years of Tenant Representation experience, representing and advising national and local commercial tenants with hundreds of leases totaling millions of square feet. Most major U.S. markets were included.

The main risks to consider when commencing the Facilities Acquisition Process (Lease or Purchase) can be broken down to the following three categories:

MONEY – Were the best possible rate and terms achieved?

Today with record high vacancies and low interest rates we have been able to achieve incredible savings for our clients both economically and in other areas of the lease itself.

RISK – This includes the risk of making a bad location or operational decision, and whether you have the right lease clauses, which prepare for future, unknowable requirements such as business expansion, contraction or relocation needs.

TIME – How much time is going to be spent on the Facilities Search and Acquisition process, and what will it cost the company in terms of lost productivity?

The process of determining ones needs and the site selection and lease or purchase process can take up much of your valuable time if you don't have the right team in place!

The CFO Advocate Newsletter is designed to provide articles of interest. Please let us know of topics you would like to see in future editions.

Sponsored by:

David Payne	404.531.6435	dp@bmcrs.com
Michael Levine	404.261.3229	michael.levine@rhmr.com
Jim Villwock	404.460.7050	jim.villwock@kjpgroup.com

If you would like to be removed from this distribution list, please e-mail us at jf@bmcrs.com.

©2004 KJV Group, Inc.

Most Common Mistakes

#1 Most Common Mistake NOT ALLOWING ENOUGH TIME

Facility research, property inspections and comparison analysis can usually be completed in a week or so by motivated companies already familiar with the local market. However, those tasks are only the tip of the "time drain" iceberg, and several commonly overlooked complications needing to be factored into the relocation timeline:*

1. Negotiations with the Landlord and preparation of the lease can take weeks, (even months).
2. Once the Lease is signed the interior usually needs to be finished or renovated, which can take one to three months depending on size.
3. Before renovations can begin, building permits need to be obtained which can take one to two months, and
4. Before permits can be obtained, architectural plans must be completed, and may take one to two months.

If existing facilities cannot be found which are acceptable, new construction can easily take 9 to 12 months or longer.

Bottom line: 6 - 12 months is a good time frame to use when looking for new facilities, even longer if experienced professionals are not used to guide the process. Today we have renewed tenants up to two years early with the high vacancies in the market so it's never too early to start your strategic plan.

* This assumes the space is not going to be taken as-is, which is possible, but unlikely.

For complete article, please visit: [Top 10 Mistakes](#)