



CFO ADVOCATE

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Why Do You Receive Your Paycheck?

At a time like the present when the average stint of a senior financial executive is known to be less than 2 years, how many people think about how we can increase our personal value within our company? In order to increase value, the first step is to identify what value we currently provide. I've asked dozens of senior financial executives how they provide value to their companies, and here's a sample of the responses I received.

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Where do you stack up? Obviously some of the above don't apply to everyone, but if a CEO wants one of the items on the list and you don't have experience in that area, or are too busy with other issues to give the CEO what they want ... you're in trouble.

I believe longevity in your position can be improved. Use the ideas below to get closer to your CEO, and you'll increase your chances of extending your stay.

1. What is your value to your company? Use the list above as a starting point, and consider areas that you add value that are not included above. Consider areas that you could add value if you had the right tools.
2. What is your personal ROI? Are you a moneymaker for your company, or are you overhead? We all know which CEOs prefer. Put a value on what your contribution to the company is and write it down somewhere.
3. How do you help the company better serve its customers? Do you work with them directly, and/or do you create systems for the company to make it easier for customers to do business with you?
4. How are you communicating your value to your boss? If they don't know what you contribute, you could become a victim of the next budget cut. Consider chemistry of your relationship with your boss when implementing communication tools.
5. Have you calibrated your perception of value with that of your boss? What do you think would happen if you tried to go from Atlanta to New York by traveling west? The same concept applies if you are working hard to move the company in a direction that you think is right, but your boss wants to move in a different direction. Make sure you're on the same page and it will serve you well.

I'm interested in your ideas on special ways that you add value to your organization. Also, I've developed a few tools to make this process easier for executives. If you want to learn more, feel free to contact me at Michael.Levine@rhmr.com or my office at 404-261-3229.

LEASING'S 7 PITFALLS

Too often executives approach their search for office space with this attitude: "I'm good at what I do; therefore, I can make a great lease deal." Unfortunately, they overlook the obvious:

1. The building owner's goal is make a profit. The tenant's goal is to make a great deal
2. The typical building leasing agent negotiates 30 to 50 lease transactions per year. The typical multi-building owner negotiates or is involved in hundreds of lease transactions per year. The typical tenant negotiates one lease transaction every 3 to 10 years
3. The playing field is not level. Advantage owner

What you don't know about leasing can be costly.

Know your needs and develop them into a "Statement of Requirements."

Separate your requirements into "business needs" and "personal needs".

Business Needs Include:

- Your type of business, which may determine your location because of zoning or ease of customer access
- Your company's image, which might require locating in a high quality or highly visible building or location
- Amount you can afford to spend over the next 3 to 10 years on office space
- Future expansion needs

Personal Needs Include:

- Job Security
- Location (e.g. close to your home, restaurants or hotels)
- Personal Image

Here are "Leasing's 7 Pitfalls," and how to avoid them:

1. Avoid False Confidence

Regardless of how good you are at what you do, understand your needs and educate yourself.

- Read your local newspapers and local business publications. Learn the trends in your local office market
- Learn and understand the common terminology of the office building industry.
- Ask pointed, in-depth questions. These include questions on space measurement and hidden costs.
- Seek help, if necessary, from someone other than an employee of the owner.

2. Know Who Works for Whom

The only thing you have in common with the owner and his staff is that you would like to lease space in their building, and they would like to lease it to you. That's where it ends. Seek advice elsewhere.

Just as you would not want to go to court without a lawyer, don't negotiate a lease without a broker who specializes in tenant representation looking out for your interests.

A landlord representative at our firm recently said, "In the 17 years I have been representing landlords the most profitable deals I negotiated for my landlords by far, were when the other parties were not represented by a broker."

3. Ask In-Depth Questions

Get the whole story. Rate and square footage mean nothing if you don't ask enough questions. Ask about:

- Common Area Factor: These are areas in the building of common use to all tenants. These usually include building lobby, hallways, janitorial and electrical closets, and bathrooms. The owner figures what percentage of the building this figure represents, and adds it onto the amount of square footage the tenant has within his own office space.

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Telecom Expense Management

Most of us are busy focusing on Sarbanes, system and process improvements, and the routine accounting close. There is never enough time, resources, or expertise to address everything within our direct control, much less what may lie in someone else's turf; especially if there is a manager assigned.

CEOs usually focus on revenue growth and expect the CFO to minimize expenses – regardless of turf. One of the typical top three expense items is telecom (data lines, voice, long distance, pagers, radios, cell phones, PDA devices, etc.). Unfortunately, few of us can afford to have on staff the level of expertise and time necessary to optimize and manage telecom. Disagree? Let's take a test. Answer yes or no to each statement.

- The phone company sends me accurate bills
- I get my phone bills, understand them, and audit them before paying
- I compare my phone bills to my phone contracts
- My coverage and services are the lowest total cost in the industry
- I track all lines and charges and maintain an asset inventory for all moves, adds, and changes
- I have a full-time telecom expense management expert on board

Here are the facts. 87% of all telecom bills are wrong and overcharge by an average of 12% (Aberdeen). Most people don't know how to read a phone bill and understand the charges. Even if they can, how many stacks of bills do you receive? Most telecom bills cannot be tied to a telecom contract. Most telecom contracts are hugely one-sided in the favor of the telecom company. An estimated \$1.2 billion in annual savings will be routinely found by third party professionals by 2007 (CFO IT). Few companies ever track telecom assets, lines, and line capacity utilization. Most telecom managers focus on keeping the business running, not optimizing costs – they seldom have the time or expertise to do so.

So why should you care? What impact to your profit line would occur if you could save 30% of the cost of mobile phones, long distance, local service charges, data lines, PDAs, pagers, internet charges, and equipment maintenance charges? For small companies, this could mean thousands of dollars per year. For medium to large sized companies, it could be worth millions of dollars – each year.

As stewards of your company's financial condition, as business partners with your CEO, and as you need to demonstrate measurable successes on your resume, should these savings be left in your supplier's pockets or be used by you? Would you rather be giving your money to telecom companies or to invest in revenue growth, product development, systems and process improvement, or bonuses?

There is a caution here. According to Garner (IT Industry Analysts), there are over 70 firms to help you reduce your expenses. In our opinion, most have only partial solutions and leave the hard part (implementation) to you. We recommend you find help to complete the full cycle of Telecom Expense Management – audit, strategic contracting, implementation, and ongoing management solutions. Lastly, many of these companies are comprised of former telecom company tactical employees, not business people and not strategic people. You need it all: tactical, strategic, and business savvy solutions.

Telecom expense savings are like an annuity. Once the savings faucet is turned on, they continue year after year. The sooner you get started, the sooner your annuity begins. It's your money. You deserve it back – every last penny.

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- Usable Space or Usable Square Feet: The amount of square feet within the confines of the space occupied by the tenant
- Rentable or Leasable Square Feet: Usable square feet plus your proportionate share of the common area factor. This is the amount of space you will be paying rent on.

Example: One building has a common area factor of 10% and another has a common area factor of 20%. For you to occupy 2,500 square feet of usable space in the 10% building, you must pay for 2,750 square feet. In the 20% building you must pay for 3,000 square feet.

4. Free Rent is usually an Illusion

In most cases free rent is a "pay me now or pay me later" proposition. Through annual rent increases, operating expense increases, and other costs, it can become a dangerous game of rate manipulation. What you are concerned about is your effective rate. Compare the lease rates and offers from several buildings to determine the best effective rate.

5. Know When to Employ A Broker

When building owners or leasing agents tell you they won't work with brokers, or that you have to compensate your broker yourself, BEWARE!!!

This usually translates to: "I'd rather deal directly with you, an inexperienced or uneducated prospect, so I can make a killing on this deal."

Most building owners understand that a high percentage of their leases will be brought to them by outside brokers. Most buildings have made provisions, in their budgets, to pay a competitive brokerage fee. In Atlanta; it is customary for the landlord to pay the broker's commission, even when the broker represents you, the tenant. If the commission is not paid to an outside broker, the building owner usually pays the entire commission to the landlord's broker, or keeps it for additional profit. Commissions very seldom affect the rental rate on the overall deal.

6. Remember: You Are The Customer

- Negotiate Hard
- Your First Impression Is the Right One: If the building is not well maintained when you first visit, it's not going to get any better
- Rude Staff: If the receptionist is rude when you first call or visit, don't expect her to be pleasant when you call with a problem
- Hidden Costs: If the leasing agent doesn't volunteer information about hidden costs without being asked, leave.
- Side Deals: If it's not written into the lease or the addendum, it never happened.
- Property Managers too busy to meet you: If this is the case prior to signing a lease they'll probably be too busy to meet with you to resolve your problems once you're a tenant.
- You've got to live with people for 3 to 5 years. Make sure you are compatible.

7. REMEMBER, WHEN LEASING OFFICE SPACE, YOU ARE RISKING YOUR COMPANY'S IMAGE, COMFORT, PROFITABILITY-- AND POSSIBLY EVEN ITS SURVIVAL

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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.

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