

Remarkable Practice

inspiring remarkable results
in your accountancy firm

Greg Smargiassi

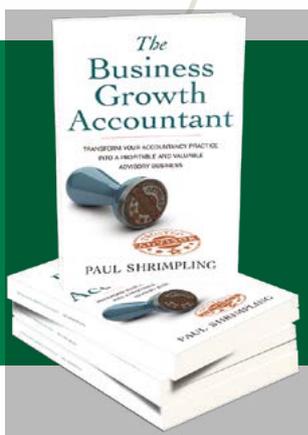
Educator teaching SMEs financial mastery



Don't let the professional tag fool you – yes I am an accountant (CPA) and in days gone by have done what all tax accountants do.

After selling my tax accounting business to a second tier national accounting firm, my energy is now focused 100% on business owners mastering their numbers done through the use of unique visual tools, writing, speaking and consulting; in a way not seen by the profession before.

In this interview Greg shares with Paul his journey from regular accountant to becoming a business coach and the conception of OURCFO.



Greg Smargiassi

Paul Okay. Great. To begin with, would you please give me a little bit of background about OurCFO, how you got going off the ground and why, just so I can get a feel for you and the business to start with?

Greg Sure. So OurCFO, I guess, you might call it a virtual CFO service, where we work to external to small and medium-sized businesses. And we CFO provide them with support and I guess if there's an elevator pitch it would be, accountants are fairly famous for looking in the rear view mirror, looking at historical information and not helping people look in a forward direction to help them understand where the business is going and using numbers to do that.

So essentially we teach people how to visualise their future using numbers and we've developed a bunch of proprietary tools and visual tools to help people and educate people around their business finances. It came about as a result of a number of different experiences I guess. I was a tax accountant for 15 years. I also spent a bit of time in a commercial role as an internal CFO for a successful family business and a larger family business. And also have retrained as a business coach, so I joined an international coaching network and through that learnt a lot more about business beyond the numbers.

So things like marketing, sales and culture, leadership, systems, processes and all the things that, all of those ingredients that make up successful businesses. The common theme through all of that is the numbers, the numbers are important to understand in business and so we've got those numbers but what do we actually do about them? How do we help the

client develop a strategy where if the numbers are off track, what do we do to get them back on track again?

Paul What prompted you to do the coaching programme?

Greg It was, I was asked by a client to attend a meeting where my client was buying into a business. And the meeting was being facilitated by a business coach. And they got their coloured pens out and paper and drew these wonderful pictures and facilitated the meeting really well, and I thought, wow, that's interesting, that's all about business, it's not about tax and compliance. So it really piqued my interest.

And where I thought, I'll be coached, I'll get coached. And so I became a client of that particular coach. And will enjoy the process. And I thought this is a whole lot more exciting than completing tax returns and focusing on compliance work.

Paul Right.

Greg And that's where it came from.

Paul Great. So if you hadn't have been in that meeting, maybe you wouldn't be here now?

Paul Possibly, I think it's over 15 years that I was a tax accountant, for probably about 14 of those I didn't want to do it. And I was plucking up the courage to get out of it and go and do something different. And I'd worked both as an employee and also self-employed, so I sold my tax accounting business to a second-tier accounting firm and worked for those guys for a couple of years as a sort of handover, then exited and went on my merry way from there.

Paul So how long ago was that? How long ago did you say you were at your firm?

Greg I finished up, I think it was August 2007. And then my original plan was to have six months off and take a break, because I'd really had enough and I didn't know what the future held and the plan was to take six months off and do nothing. Go surfing, play guitar or whatever. And about five or six weeks in I got really bored. And I had been doing CFO, external CFO work prior to then.

I actually, my first business I started in January 2000, and I started a tax accounting business but what I did was I only took on business clients and started doing management reports immediately. So I've been doing that kind of work external for businesses since January 2000.

Paul Right.

Greg And I've had distractions along the way, tax accounting, management reporting and then business coaching and management reporting... and I guess over that period of time, I researched and understood what a CFO does in big organisations and then developed our processes to see how we could deliver that external to businesses.

And to arrive at where we're at today, I was based in a regional centre, about 400km north of Perth in Western Australia and we moved the business to Perth this year. We had growth ambitions and that regional centre wasn't going to support our growth ambitions, so we've moved to the city and we've been here about ten months and we're now looking to scale the business up.

Paul And how's that going? How's the move gone for you?

Greg Great, really good. I'm not sure what you know about the Western Australian economy but it's very much driven by resources and we had a massive boom driven by China's desire for our iron ore and that has really come to a halt. So the last two, three years we've seen significant economic decline and so it's been very challenging.

The business coaching business pretty much came to a halt. That went from, we peaked at revenue and then eighteen months later it was down to zero and that presented a bunch of challenges. Yes, so the local economy is terrible but getting into Perth, even though the economics are very flat, I can see a lot of opportunity just by way of, it's just such a larger economy and there are pockets of opportunity. If anything out here plays into our hands, it's that a lot of businesses are looking to reduce costs but they need more help.

Paul Yes.

Greg They can't afford to employ internal financial people, as much as they could prior to the economy turning, so I see it as an opportunity. We can bring a lot to the table for less than what they would pay someone internally. We have a small team in the Philippines so we've reduced our costs, highly skilled people, we use online technologies to collaborate... Our business model's not right yet. We repositioned ourselves in the last ten months and we've still got work to do to get the business model right, we've got a lot of work to do to get it where it needs to be.

Paul So what sort of volume of clients are you working with at any one time then?

Greg Anywhere between 15 and 20 per team, we've just got the one team right now. And we, the last five clients that we signed on, average fee per client

would be just under seventy thousand dollars Australian per year, per client. So we generally work with businesses with revenues between three million and upwards of fifty million. We've got a lead in the pipeline for a business that was doing a hundred million in revenue and because of the economics and the significant decline, they're doing about sixty million dollars a year now.

Paul So how do you find your clients, how does that piece work?

Greg Mostly by ourselves. We've also, I've joined a Facebook Mastermind group and the guy that facilitates that, a guy by the name of Ben Simkin, he's an incredible marketer and incredible at using Facebook as a channel to generate leads. We've had some success with that, not huge amounts, but some success with it. So we've switched that off for a while and we've just switched it back on. We've had a few leads come through but the businesses are not quite at the scale that we would like them to be. But it just means we've got to refine the offer and the message and that will hopefully deliver results.

But mostly referral and we're also, I'm working with a digital marketing agency right now, Perth based, and we're looking at them becoming a client of ours, we become a client of theirs, so it's cost neutral, and we're going to get some more digital marketing assistance. I think that's where it's all going.

From the marketing perspective – a combination of building your database, email marketing, digital marketing, pushing out content and through the business coaching experience, one of the things that I learned clearly was that we all receive information and learn differently. And what we do as accountants is generally we push a bunch of numbers in front of

our clients and expect them to engage in a conversation and that doesn't work that well.

So what I did was is build a heap of content that was originally designed for marketing purposes. So I've done a bunch of professional speaking courses, and I do a bit of speaking when I can, and with the idea of providing valuable content and content in such a way that it is understandable, and that it worked so well that we use a lot of that content in the way we communicate with our clients and what we deliver.

So we've got a bunch of visual tools that we use to help people understand what we're talking about and giving them a base line understanding of the financial structure of the business and also what that means they need to be thinking about strategically.

Paul Right. So tell me a little bit more about this visual presentation of the information. Because what I'm hearing now Greg is the message you want to deliver is one thing, the means, the delivery mechanism is something completely different, and the quality of the way it's delivered matters as much, almost as much, as the actual content. Because if they don't understand it then they're not going to make the right decisions, they're not going to see value in what you're delivering.

So tell me a bit more about what it is exactly you're doing, what specifically are you doing in order to reframe the information, the data, so that the client is in a better position to understand it and make decisions from it.

Greg So what we've done is build a visual representation of the, what I call the financial structure. And you might have heard people talking about three-way forecasts. The three elements are profitability, cashflow and financial position. And so what we've done is build these visual tools, in particular, a

visual tool where those three elements are represented on one page and it describes in very simple terms how that fits together.

One of the biggest challenges people have with business, as far as the people part, is the cashflow. There's this common theme where my profit and loss report says that I'm making money but I don't have any cash and why is that? How is it that the profit and loss report says I'm making money but I don't have any cash in the bank? And so that visual tool directly addresses that issue.

And in a very simple way, the responses that we get from people is like, it's just, why didn't someone tell me that before? How is it that you can explain it in such simple terms but my accountant doesn't? So I've actually presented it in a mastermind group about three months ago and I said to them, what's the difference between profit and cashflow in 25 words or less, and they couldn't explain it to me.

So if they don't understand it, what hope have their clients got of actually, firstly understanding it and then building strategy to ensure that they're cashflow positive. And I've presented in front of accountants and I've even gone to CPA Australia and said, here's a tool that I think would be valuable to get out into the big, wide world. I'm not that precious about protecting our IP, I think if we can just get this out into the big, wide world, it would help a lot of people and a lot of businesses and I think we would all be better for it.

And CPA Australia just looked at me like I was a lunatic. That is so simple, are you dealing with kindergarten children? And I was like, pretty much, yes. Especially CPA Australia who are not prepared to... I think accountants in general are quite, they have low self-esteem.

I know this is a generalisation but they find, and having checked out your website a bit and the work that you do, I'm sure that you would experience this, but they find it hard to justify themselves, their fees and what they charge and they don't even see the value themselves in what they're doing for their clients, and that really translates in the way they interact with their clients.

So what they do is try to make themselves look intelligent and smart so that they can justify their fees. So they overcomplicate things unnecessarily and what I do is the opposite. How can I make this so simple that the client understands it and they can educate themselves, then they can do a strategy and then they can have the confidence to make decisions and move forward.

Paul Yes, take the action, yes.

Greg Yes. And it works really well. Our clients, once they've worked with us for a little while, they've built that understanding, they start asking some really good questions and... we've had some pretty remarkable results with the clients and once we get them focused on what they need to do to get cashflow positive and to capitalise their business and not rape and pillage, really look after the golden goose, then it just has a huge impact on them personally and also their business.

Paul Brilliant. Well given half a chance I'd like to look at what it is and how you do that... What you just said reminds me of something someone once said to me, if you don't communicate in such a way that a ten year old could understand it, then you're not communicating well enough. And I think that's what you're saying, with the numbers or whatever.

Greg Yes, if you can't explain it, you probably don't understand.

Paul Yes that's a bit harsh but yes, I would agree. So run me through how, you run that first meeting, say someone's been referred and recommended to you, how do you structure that first meeting with the prospect, talking about your CFO service, what and how you can deliver value? How does that meeting run?

Greg So what we do, we position it pretty strongly up front that we invest time to get to know the prospect and also give them the opportunity to get to know us, to make sure that what they're looking for and what we can provide is a match.

Paul And that's in the meeting? You're making that positioning statement in the meeting? Or has that happened before you've walked into the meeting?

Greg That's usually at an initial meeting. So it might be just simply be a warm introduction or a coffee meeting or something along those lines. I would talk about our position OurCFO, in the sense that, pretty much the way like I did with you, **accountants normally look in the rear view mirror, we teach people how to visualise their future using numbers and visual tools. And there are three key metrics you must absolutely understand about your business before you build strategy around your business.**

So what we do is, if that sounds right to you, then we invite you to participate in a workshop. The workshop is for one hour and it's not a sell on OurCFO, it's valuable content that will help you learn more about your business. It will also give us an opportunity to get to know each other. And then from that workshop, if it feels right for both parties, then we go to what we call a meth numbers audit.

Paul Right. Say that again?

Greg The meth numbers audit.

Paul Yes. I saw on your video you were explaining the meth in principle. Okay. So carry on with that then, Greg. So there's the preliminary meeting, then there's the workshop, then there's a deeper meeting?

Greg Yes, there's the meth numbers audit, and the positioning there is the business information is likely to be masking the financial reality. And we give them the guarantee, and the guarantee is we will find their cash burn or misinformation or process errors, minimum thirty thousand dollars, and if we don't you don't pay us. And what we do with the initial fee is if you choose to engage us on a full-service arrangement, we'll credit 50% of that meth audit fee back to your retainer.

Paul Right, okay. And so what money is retained for the meth audit then?

Greg Depending on the size and scale and complexity of the business, anywhere from \$1,500 to \$3,000.

Paul Right okay. And will they have already paid for the workshop as well?

Greg No, the workshop is free.

Paul Right, okay, great. Thanks for that. So you've got a financial and guarantee structure to make it easy for them to say yes to the process.

Greg Yes.

Paul Brilliant. And you've got a structure and a formula for the meth audit which is the same for every business, or does it vary?

Greg Very similar. We have a fairly lengthy questionnaire and we apply... we just do a complete review of their business and we look at their systems, their management information, their strategic processes, and how that's all tied together. And we look for efficiencies, we look for the right kind of KPIs, are they focused on the right things? And we're also looking for cash burn, we're looking for misinformation and just opportunities to improve their efficiencies and also build strategy, how they do that. So then I go back to them with a mini report.

Paul And how long does this meth audit take, first of all? How long does it take?

Greg It would take anywhere from two thirds of a day to a day on site.

Paul Wow.

Greg And so I just sit with them and ask questions, we methodically work through the questionnaire and then I come back and write up a report which will take two or three hours to prepare. And then I go back to them with the report and with the findings.

Paul And this all happens face to face?

Greg Yes.

Paul Right. And what sort of reaction response are you getting from people to this process then?

Greg Well we haven't failed on the guarantee as yet. So that's where we have a 100% strike rate. From that audit to becoming a client is also very high strike rate. So it seems to work really well.

Paul And they're paying upwards of \$70,000 to take you on a, say, permanent basis?

Greg Yes.

Paul So when they say yes after the meth audit and the report and so on, to continue working with you, how long are they signing up for? What's the commitment levels on both sides?

Greg Initially it's a 12-month commitment. The financial process is just a process and it's a process that repeats itself month in, month out. So the way that we position ourselves is, you look at the big end of town, you have the CEOs and the CFOs and they work together on an ongoing basis, and that's what every business should have access to regardless of size. So we position that way. But we say to them, it's a minimum twelve-month commitment and beyond that twelve months, all we need is one month notice if you want to discontinue.

Paul Right. So you're making it as easy as possible to say yes and easy as possible to get out should they want to. So that 12-month commitment, and what's your involvement then, is that month in, month out face to face? How is that structured going forward?

Greg So we have a process, so there's five steps in the process that occur each month, and some of that process is handled by my team, some of that process is handled by me personally, and it just rolls from month to month, and for me personally, because of all the changes and moving the business from a regional location to Perth, I've had to let people go up in the regional area and re recruit and retrain, so I'm back in the detail. But the

intention is to get out of the operational aspect of the business and just focus on maybe selling it, marketing it, building the systems and the platforms and playing a true CEO role but not being involved in the operation. That's the [inaudible 00:23:45].

Paul How was it when you were acting in that CFO role for clients at the moment then?

Greg So we have another chartered accountant locally in the office. So there are three of us in the office in Perth and one is a support person, one is a chartered accountant and he's part of that process, so he has a specific function within that process and then I lead the team and I lead the strategy development and I deal with the executives in the business.

And then our Philippine team are responsible for setting up the dashboard, making sure the data is in the dashboards in the right way, producing the reports. We do some book keeping, we're sort of testing that right now. We're looking at... because there's the availability of labour in the Philippines and technology allows us to have a remote team, we've also got a couple of book keeping clients and we're just testing that out to see if we can make that work.

Paul Cool.

Greg And so we've got two people in the Philippines and we're about to recruit our third.

Paul Right. Brilliant, brilliant. So you've got this five-stage process that happens on a monthly basis with everyone of your fifteen to twenty clients? Is that right?

Greg Yes.

Paul Right. And that's around basically building the dashboards, having the meetings, agreeing actions? How would you describe the five stages?

Greg So the first step is to confirm that end of month has been completed. And if we're doing the book keeping then obviously that's our responsibility to get end of month completed. If it's the client, then it's obviously their responsibility to get that completed. And so that's the first step. Then the second step, I'll just bring that up on screen, I've got the flow chart... The executive meeting agenda... we've just reengineered this, we're changing the way we're doing it... So then we do, out of that comes what we call a control report. So there will be supporting information. So the key thing is to reconcile the balance sheet. If we have a balance sheet that's reconciled, we know that the P&L is correct.

If the balance sheet is not reconciled then we know that there is potential for financial risk and also misinformation. So the second step is then to do a cross-check and issue a control report and then the third step, so that's what we call the check, verify and pre-report. Then the third step is what we call the lock down meeting.

So the consulting, the other guy that works in the office, he conducts that meeting with the administration management of the client, they review the control report, they agree that the data is complete and accurate, and agree that month end is now finished and that is called the lock down meeting, we're locking down the data and we agree that we're ready to publish the data.

Paul Does that take place face-to-face as well, right?

Greg We do that generally remotely. So we use Zoom team, that's done remotely. And then, so that's the lock down meeting which is step three. And then the next step then is to publish and notify. So our team in the Philippines retrieve the information from cloud accounting and then upload that data into...

If it's not... we use crunchboards, and if it's synced electronically with zero then it's just a case of reconfiguring the board for the new month, if it's not a system that syncs with crunchboards then we send a csv file into crunchboards, and update the boards and then notify them that the boards are ready for review.

And then step number five is the executive meeting which is a meeting that I attend and we have a formula or an agenda in the executive meeting. So it's a high-level review, we don't go into the detail and we focus on strategy, we focus on what else we need to do in terms of business intelligence and also what we're working on, just an update on systems and process development.

Paul And this happens every month for every client does it Greg?

Greg Most clients it's monthly. We have a couple of clients where it's quarterly.

Paul Brilliant. So highly structured but minimising your time personally. Your team in the Philippines are delivering the nuts and bolts as it were, and you've got the high-level meetings. Fantastic. Fantastic. So what I'd like to do Greg is just drill down, without mentioning names of clients and to protect confidentiality, I'd like you to run me through the story of a specific client so that I can appreciate the value of the process that you've just described. How they get a reward, a value from working with you.

Would you tick off, if you would, if you would choose a client obviously, and then tell us their story before you started working with them and then how that story unfolds in terms of value they got from working with OurCFO.

Greg So there's a particular client that springs to mind. They're a consulting business, technical consulting, so electrical engineering, mechanical engineering, building efficiency, procurement, they've got a range of services that they offer, facilities management... and prior to me starting with them they had an accountant who was apparently providing value-add services that they were paying an absolute truckload of money for.

And they just felt that they weren't getting anywhere with it, they weren't getting any advice. So I was introduced to the business and conducted the

initial review and discovered that they had overpaid their income tax, so by the third quarter of the financial year they had overpaid their income tax by \$50,000. And they were heading towards the fourth quarter and another instalment for 40 grand, so by the fourth quarter they would have overpaid their tax by \$100,000 and they had cashflow issues.

Paul Right.

Greg So clearly their accountant didn't understand the difference between profit and cashflow and was not strategising and managing that for them at all. So within that initial review I discovered they'd overpaid their tax, so it took me three hours to pick up on that and pretty much solved their cashflow issue within the first three hours of working with them. And then completing the review with the business, that in terms of good management systems, good processes, quoting the systems, job review systems, CRM, sales management, marketing, that they really... it was very disjointed.

So they had an accounting and a separate CRM system and Excel spreadsheets and all these different things going on within the business and there were big questions around the viability and the liquidity of the business, and they were even thinking about appointing an administrator to line the business up.

Paul Wow.

Greg And so I said, look, I think the fundamentals here are good, you've got a very unique business in what you do, we just need to knock this into shape, so if we can put this \$100,000 back into cashflow, that's going to buy us some time and then we've got some fast work to do to knock all this into shape.

So over a two-year period, so we got the focus on the right metrics, they made a pretty big decision to invest heavily in an ERP system and get very good visibility over all aspects of their business. So they've successfully done that and the value of that business when I first started with them was next to nothing, and then about three weeks ago they sold 45% of their business for a valuation of six million dollars.

Paul The total business was valued at six million and they sold 45% of it?

Greg That's right, yes.

Paul Brilliant.

Greg And so one of their biggest customers has taken a 45% stake and this customer, they're commercial property investors between the three guys that run that business, they're worth about 1.5 billion dollars. And they've taken an equity position in this business because they can see the benefit in it and obviously see an opportunity to grow this business right across Australia.

Paul Brilliant. And over what time frame has that happened then, Greg?

Greg Two years.

Paul Right. So profound difference, profound story, profound outcome for the owners. Brilliant. So you've mentioned it a number of times, KPIs, Greg, in this discussion, what's your approach, attitude, what is it about the KPI conversation that makes such a difference do you think?

Greg I think it really doesn't have to be that complex. When we have some marketing strategists... we had some challenges around our messaging and we had some marketing strategists come in to help us. And what drilled it down to is that there's three key numbers that every business owner must know about their business in our view, and one is valuation, understanding business valuation, that is the ultimate measure.

If you push me into a corner and said, what is the ultimate metric, it is valuation. And valuation can be used as a strategic tool. And the other challenge for a lot of businesses is that they go into business with the intention of generating enough cashflow so they can invest back into the business but also live and also generate wealth outside of the business. They also are motivated by creating value and then selling their business to fund their financial goals. And what often happens is about 80% of the time businesses don't sell. Most businesses don't sell.

Somebody might spend 20 or 30 years running a business only to get to the end of their career realising their business is worth nothing because

they don't understand valuation, they don't understand how to make a business saleable. So valuation is number one in my mind. Secondly, the second one is what we call the canary ratio, and that is the difference between profit and cash.

Most people suffer undue stress because they don't know how to strategise on cashflow. So firstly, they need to understand what that difference is and then secondly build the strategies to deal with that issue. So profit versus cash. And then the third one is, as it goes back to meth effect. Most people don't even know that their data is giving them false information.

Sometimes it's intentional, where they fluff the information up to go to the bank to raise funds, and sometimes a lot of the time it's unintentional. And just to give you an example of that, one time I was asked to, there was a business that was a bakery that came to us and they wanted to buy some new tills, new point of sale systems, because the GST was being introduced in Australia, if you go all the way back to July 2000.

I said that's fine, how much... they had a wholesale operation, they had a retail operation, and I said, how much is the retail operation producing profit? If you're going to spend money there, make sure you're going to get a return on investment. They said, we can't tell you. They just had one profit and loss report that says they're making money.

And I said, well let's do a review of the retail business and see where it's at. So I reviewed the retail business and realised that it was losing \$15,000 a month.

Paul

Right.

Greg And that had been happening for five years. So that was around... that's almost a million dollars in losses that they weren't even aware of. So we chopped out the retail business and it immediately improved the profitability, immediate improvement in cashflow, less people to deal with. It just made a massive difference and that is an example of meth effect, they had no idea, no understanding, not visible at all...

Paul The numbers were not delivering...

Greg ... that that part of the business was losing money.

Paul Why do you call it the meth effect, Greg?

Greg This came from our marketing people but when somebody does drugs, they're hiding, they're going from, they're masking reality. They're going off into a world that is not real.

Paul Brilliant.

Greg It's a direct reference to methamphetamine or ice as it's sometimes known, it's a direct reference to that, it's intentional. Your business data is on drugs. It's masking reality.

Paul I love it. Fantastic. How many of your clients ask you what it means?

Greg Oh they all do. It raises a few eyebrows and I even had a friend, just recently, I had a bit of a... I appointed a business coach to help me, to keep me focused, it's been a very challenging year, and he got sacked after the first coaching session because he said, look this bullshit around meth effect, he just started coaching me on a few things that he hadn't done any homework on and was saying, you've got to do this, you've got to do that. And I said, look mate, this works really well and you're not a marketing expert, you're a business coach and this came from one of Australia's most renowned predatory marketers and that's not changing. So I just said, look... he said, it's got a negative connotation, and I said, look I don't care. If anything, we need to bring more attention because Australia's got a massive problem with, there's an ice epidemic happening here.

Paul There's a what epidemic?

Greg An ice epidemic. So ice, I don't know what you call it over there, but meth is often called ice here.

Paul Oh right.

Greg So there's a massive drug problem in Australia and if anything, we need to bring more attention to it, not less.

Paul Something I used to... in my formative years I was into punk rock music, you look at the concerts and everyone was playing around with meth in some shape or form... well not everybody, it was an innocent time, but... cool, but I like that it cuts through, NLP practitioners would call it pattern interrupt wouldn't they? It cuts through the guff that's being talked about.

Okay, so I understand those three core numbers that you've said, the value of the business, that trade off between profit and cash and then the fact that you want the management information systems to deliver information that shows reality rather than masks reality. Have I got that right?

Greg Yes.

Paul Brilliant. And so off the back of those numbers, it sounds as though you're then working with the business owners to identify the strategies or the actions or ways and means of improving the performance of the business on either where their management information shows up, that trade off between profit and cash and the capital value. What and how do you do that?

Greg I guess it's the, well firstly it's making sure that they're strategies. So some businesses are good at developing strategies, some aren't, they have no strategy, they just turn up every day and hope for the best.

Paul What do you mean by strategy?

Greg Well in very simple terms, strategy is where are we at now, where do we want to be, what do we need to do to get there? Bridge that gap...

Paul Great. Some businesses have strategies, some don't.

Greg Yes. The valuation gap is the key tool for us to develop strategies. So I would go in and say, ask a bunch of questions, I'll use a coaching process to do that, and just say look, you're here right here right now, from your perspective what are the big challenges? It's usually cashflow, I'm working too hard, I'm not making enough money and blah blah blah.

I go right, that's fine, so what do you actually want to get out of your business? And a lot of the time they say, I want to create financial freedom and I want to sell my business. Okay, right, that's great. So how much do you want to sell it for? What's your magic number? They say, what's that? And I say, if you had a magic wand and you could make your business worth anything, what would it be?

And they say look, I want to sell my business for ten million dollars. And I say, right, that's good. That's a good start. So if we were going to create a valuation of ten million dollars, we need to understand what your business is actually worth now. By understanding the valuation now, and what your magic number is, we can then measure the gap. And then we can convert that into strategy.

And valuation in very simple terms is what are the maintainabilities of the business, and what's the multiple that is applied to the business, that's the valuation methodology, main tenable earnings times by a multiple gives you valuation. So then we can look at, from a maintainable earnings perspective, what level of improving profitability that we need, and what's often missed is the multiple is often ignored in that the multiple is a reflection of risk, and what do we need to do to mitigate risk or lower risk so that we can increase your multiple?

And so we build a number of strategic initiatives and that might be around from a risk perspective, identify risk mitigation strategies, and then from a maintainable earnings perspective we can then walk through how to drive profitability. And there's another visual tool to explain that.

Paul Right.

Greg So we use the three elements, profitability, cashflow, financial position and we can identify what is the area of strategic focus based on where your business is at and where you want it to go. Is it understanding what your capacity is, do you understand revenue strategy and how to drive revenue? Do you understand efficiency strategy to drive margins and profitability? What are your cost management systems to manage costs? And then they're essentially the profitability strategic focuses and then you have the cashflow. So what are the weaker capital dynamics, what kind of KPIs do we need to be monitoring to ensure that your working capital is as efficient as it can be, and then there's four other areas of cashflow strategy that we focus on. So it's just a process. That's all it is to step through.

Paul It sounds as though you're permanently in every meeting grilling the heck out of your customers.

Greg Initially yes, sometimes we apply what we call tough love, and the other big part of this is that it's not just about building dashboards and KPIs and managing information. What we often find is that we need behavioural change and that is the challenge. That is the bigger challenge for us, is getting people to do things differently to get a different result. So that's where the coaching skills come in, influencing people and getting them to behave differently to get different results.

Paul Ultimately you take responsibility for driving them to take action? Otherwise they're just building information for the sake of... it might be better information...

Greg As a business coach in a prior life, there was an element of accountability coaching. And it's a bit of a drag, I've got to say, where you've got to hold people accountable to certain things. And I'm a bit over it to be honest. So what I say to the clients is you need to be responsible for your actions, what you do and what you don't do. I am not going to do it for you.

You have to take responsibility for what you do and what you don't do. If you don't do it, that's your problem. I'm going to point it out and I am going to get you focused on what you need to do to get different results.

Paul Right. Is that what you mean by tough love, Greg?

Greg Yes. It might be if they're not... if they said they were going to do something and they didn't and they give me bullshit excuses, I call them on it.

Paul So you call them on it. So some people might think that that puts the relationship at risk. What's your response to that?

Greg Oh definitely. It does, Ray. And we've lost clients over it. But again, if we're not getting results from the client, that puts our brand at risk and I would rather lose a client than be known as a yes man.

Paul Yes. So it's not about going through the motions, it's taking some responsibility for the outcome. Even though you're saying it's their responsibility to take the action, if they're not taking the action, you're effectively exiting stage left because you can't build your brand, your reputation through getting no results. Have I got that right?

Greg Yes.

Paul Cool, cool. So that tough love, take the risks of asking the pointed questions, you say is absolutely part of what you do with every client?

Greg Yes. With most clients yes. Part of our process, the check and verify process, some people just want us to make sure that their internal book keeper or their finance team are doing the right thing, they're not diddling the books or ripping them off, and that's all they want us to do is to run that check and verify and they want accurate data.

They don't necessarily want us to hold them accountable. So we do have clients like that. And there's obviously other clients where they want a more robust process.

Paul Yes. Brilliant, brilliant. What KPIs do you track and measure in OurCFO that points to the fact that you're doing a great job?

Greg There is a simple average hourly rate. What did we billed and how many hours have we gone into billing that and the average hourly rate. That is really, from an operation perspective, when our average hourly rate is good, we're profitable and when it's not, we're not making money.

Paul So you keep timesheets across the firm?

Greg Yes.

Paul So some would say that's an outcome metric. That average hourly rate is a consequence of the work that's being done, I've got a bee in my bonnet Greg and I am happy to be pulled up on it. There's a difference between

what I call key performance indicators which are the measures of past performance, and key predictive indicators, the ones that actually drive behaviour, drive action, the ones that if you change, ultimately improve the results of the business, whether it be capital value, profit/cash and so forth.

I can't bring myself to call average hourly rate a key predictive indicator for the future success of your business. Are there any KPIs that you measure that would fall into the key predictive camp?

Greg They're probably what I would call activity-based KPIs versus outcome-based.

Paul Yes, absolutely. So what activity-based KPIs have you been tracking?

Greg For us, we want to scale up and we want to grow. So it would be how many sales calls have I made, how many leads have I generated, how many people have I spoken to? They're really... and conversion rates, what's our sales process like? They're more, for me, the activity-based KPIs that we focus on.

Paul Brilliant. And is that distinction between activity and outcome KPIs part of your conversations with your clients as well? How does that show up?

Greg Yes it is because they tend to, the clients tend to complicate things.

Paul Right.

Greg So the way that we position it is, yes, we need to monitor various activities in the business and we need to make a distinction between... so when we work with businesses, the way we position it is we work with three levels of people, there's three levels of people that deal in financial information.

So they're data entry operations, data entry and data capture, then there's management and operations, that is management information and then there are the strategic leaders. They're the three groups of people that we deal with and we, through our process, keep aligned or create alignment between those three groups. So firstly, are we clear on strategy?

Are there the right metrics around strategy to know whether they're on track or whether they're off track? Then we go down to the data entry level and we say, or we ask, the data that you're capturing, does that give us the ability to capture the information that we need to know whether we're on track or whether we're off track? And also, does it give us the information that we can provide to management and operations so that they can see how they're going? So they're the three levels that we operate in and management information versus strategic information is different. So we will, we're still, with crunchboards for example, we have information that's designed for strategic leaders and we have information that's designed for the management teams.

Paul Brilliant.

Greg And there is some crossover there, that's generally how we distinguish between the two.

Paul And have you got dialogue between those three levels in your client companies and within your own business? I guess you must be, going by your five-stage process that you talked about? So there's a communication going backwards and forwards between all three levels?

Greg Yes. So that five steps, step number one and two is in relation to the data entry, step number three is with a manager and step number five is dealing with the strategic leaders. And obviously amongst all the businesses I can be wearing many hats... and that's the usual process.

And then we can amplify the process, so in addition to that process, we have what we call developer meetings. And we facilitate the improving in business intelligence and also development of systems and processes and we can turn up the number of development meetings or turn it down depending on the needs of the client.

Paul Brilliant. Really elegant. So at the end of each meeting with each client, Greg, and I presume you're getting to a place where you're agreeing the actions based on the conversation and the insight and the outcomes of the meeting, what is it that you... how do you specifically wrap up that, right, these are the priorities or the actions, what's your process for that?

Greg Currently we use a system called Teamwork, which is an online project management system. So each client, we divide it into these three sections – strategy, business intel, systems and processes. And then we create projects and tasks in those three categories.

Paul In the meetings with the clients as it happens, do you?

Greg Yes. And then we allocate responsibilities, we allocate time frames and then we also review the implementation of those tasks and projects when we run our processes through the business.

Paul So how long are these monthly or quarterly meetings with your clients, Greg?

Greg They vary anywhere from forty five minutes to three hours.

Paul And they vary from client to client or even from meeting to meeting with the same client?

Greg From client to client, but they do vary, you know, in my opinion... Sometimes I'm dealing with a board, sometimes I'm dealing with the exec team. It really depends on the client. So it's client centric.

Paul Yes, of course it is. Brilliant. Greg, I've just got one last question and it relates to the fundamental rules of thumb of whether it business, sport or family life, whatever, I use the metaphor yesterday. Someone came to fit a carpet in my house recently and one of the carpet fitter's rule, I saw him measure and he actually then made a note and remeasured, and I said, what's that about, and he said, look we've got a rule of thumb in our business which is measure twice, cut once.

And that was one of his rules of thumb. What do you think are the one, two or three rules of thumb for being an effective CFO advisor, whatever label we want to give it, with your clients? What are your rules of thumb?

Greg It's a good question, I probably haven't distilled it down into that way, but I would say, to be an effective CFO you need to understand strategy and specifically what is the strategy of the client. You can't really build dashboards and information unless you understand the strategy. So number one is to certainly understand strategy but also make sure that you understand the client really well. And so it's understanding strategy. Secondly being able to communicate effectively in a way that the client can relate to and understand. So effective communication skills. And I would say thirdly, the ability to influence. So being able to build rapport, being able to get people to act and just be able to influence them where you can build a level of trust where they will do what you ask them to do.

Paul So getting people to trust that the decision is right, and the action that they've agreed on is right, and then to actually take the action. I'm just

digging a bit deeper here, what are the rules of thumb to get the business and the clients to take the action they've committed to?

Greg I guess having retrained as a business coach and having a coaching skill set, I often use that. So being able to coach, ask the right questions, active listening, future pacing...

Paul What do you mean by future pacing?

Greg Well if... what do you want from your business? Are your current behaviours supporting what you want from your business? Do you want positive cashflow? Well of course I do. Right. Well what are you going to do to achieve that? Well, you tell me. Okay I've told you. You need to get your [inaudible 00:59:28] under control.

You need to get your work in progress under control. You need to get your stock turn right. These are all the things that I've advised you, playing role play... so far you haven't done the things that I've asked you to do, so what are you going to do to make sure that those things are taken care of? Because you're telling me that you want positive cashflow. Do you still want positive cashflow?

Paul So you're not necessarily dwelling on why they haven't done it, but you're actually getting them back into the future tense around what they are committing to doing going forward?

Greg Yes, that's our positioning. If you look at the OurCFO, not sure, our website that's about to be revamped, so OurCFO and our positioning statement directly under that says look forward to numbers. And if you take the three words out of both of those lines, so our forward numbers...

Paul Yes.

Greg We position ourselves as we're all about the future. I know yesterday is important, but what's more important is what's coming up and where are we going. So we focus on what do we need to do, what does the future look like, what do you want out of the future, what do you need to do to make that happen?

Paul Brilliant. Greg, this has been fantastic. I really appreciate you taking the time out. I'm guessing you're a fan of reading business books of various types? I just wondered which two, three or four business books you refer to the most in stimulating your thoughts with clients or even recommending to clients. What are your go to books that people listening to this or reading this want to pick up on? Or what would you want them to pick up on?

Greg [Good To Grow ??] is one of my favourites.

Paul Brilliant, one of mine too.

Greg [Gene Collins ??]. There's another one, to get people thinking that they... there's a book, I'm just looking on my shelf now, it's called What Got You Here Won't Get You There.

Paul Right.

Greg And I'm just looking for that book, I can't remember the name of the author. That book, essentially...

Paul [Inaudible, crosstalk]

Greg I think what people need to realise is that they have a certain skill set and a certain talent that gets them so far, but to improve the business they need to improve themselves. So to get them to accept that, that's a book that I often introduce. And what else would I put into my top three? I think, I've read a lot about emotional intelligence and there's a range of books there... NLP books, body language... Allan and Barbara Pease.

Paul Yes he's hilarious. [Inaudible 1:02:48].

Greg Yes, at a glance I would say that they would be up there.

Paul Brilliant. Greg that's fantastic. Again, thank you very much for investing your time and your energy wholeheartedly in this call. I really appreciate it.

Greg Very welcome. Hope you got something good.

Paul Absolutely I have. What I am doing is, this book will come together and will be published next year. Exactly when next year is up for debate. But hopefully in the first half and based on the interviews I have done so far, the quality of the content, not from my perspective but from the likes of yourself, means that I'm looking forward to getting it out as soon as I can. Have a great evening and I look forward to sharing a copy when it's done.

Greg Fabulous, thanks Paul.

Paul Enjoy your evening Greg, thank you.

Greg I will. Cheers. Bye.

Paul Bye bye.