From the Best-Selling Author of *The E-Myth*

# The E-Myth Chief Financial Officer

## *Why Most Small Businesses Run Out of Money and What to Do About It*

MICHAEL E. GERBER
FRED G. PARRISH

# Praise for Michael E. Gerber, Fred G. Parrish, and *The E-Myth Chief Financial Officer*

As a small business owner—serving as your own CFO—doing it the Fred Parrish and Michael E. Gerber **way will make you: look smart, manage smart, and lead smart.** The results will be meaningful; your bankers will be impressed.

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JPMorgan Chase, Dallas, TX

A great book on the Chief Financial Officer's role in **managing resources, growth, change, and getting results**—I highly recommend it.

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Distinguished Professor and Award-Winning Author
*Leading with Resolve and Mastery*

Some entrepreneurs and managers are "freaked-out about finance," but this book **leaps you past accounting to becoming your own financial architect.**

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This outstanding book layouts out in clear and practical terms the critical strategic and operational roles that CFOs play in highly successful organizations. It is a **must-read for every progressive Business Owner, regardless of the size of your company.**

Patrick J. Below, CEO
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Introducing Fred Parrish, America's Small Business CFO. Parrish defies relegation to the day of back-off functionality. Parrish **has come to the forefront as a real business partner in the professional union between CFOs and CEOs of small businesses** to help them with the tools to make shrewd and judicious business decisions.

In his newest book, Parrish is helping small businesses and their CEOs optimize operational analysis, manage cash flow, more efficiently plan staffing, transform the lives and profits of business owners everywhere.

Joining forces with the true godfather of entrepreneurial success, Michael E. Gerber, Fred Parrish **has created the financial blueprint for CEOs and entrepreneurs to help them learn to shift their financial mindset toward greater success and awareness.**

Leroy Christopher Crawley, MBA, MSN
Sales Process Engineer

*The E-Myth Chief Financial Officer* is long overdue. A CFO is no longer a luxury. A CFO is and must be treated as an essential member of any management team. **The concepts in this book are essential to creating, building, and managing a successful business.** A hearty, congratulations to Michael Gerber and Fred Parrish for creating this financial guide to small business success.

Ron Finklestein
Small Business Success Expert
www.instituteforbusinessgrowth.org

If you want to grow your business, start with this book! Fred's practical step-by-step process will give you the ability to identify financial problems before they occur. This easy to read book will help you understand how to proactively make changes to your business that will take it to the next level. Let Fred give you real-life examples of how actual small business owners have grown their companies by implementing the tools found in this book. The **best news is you do not have to be an accountant to take advantage of these systems**. Fred breaks down every system and process into actionable steps with templates and forms that any business owner can use to become the driving force of their profits.

Mark Langford, Executive Director
North Texas SBDC

Michael Gerber's *The E-Myth* is one of only four books I recommend as required reading. **For those looking to start and build a business of their own, this is the man who has coached more successful entrepreneurs than the next ten gurus combined.**

Timothy Ferris, #1 New York Times best-selling author, *The 4-Hour Workweek*

**Everyone needs a mentor, someone who tells it like it is, holds you accountable, and shows you your good, bad, and ugly. For millions of small business owners, Michael Gerber is that person.** Let Michael be your mentor and you are in for a kick in the pants, the ride of a lifetime.

John Jantsch, author, *Duct Tape Marketing*

Michael Gerber is a master instructor and a leader's leader. As a combat F15 fighter pilot, I had to navigate complex missions with life-and-death consequences, but until I read *The E-Myth* and met Michael Gerber, my transition to the world of small business was a nightmare with no real flight plan. **The hands-on, practical magic of Michael's turn-key systems magnified by the raw power of his keen insight and wisdom have changed my life forever.**

Steve Olds, CEO, Stratworx.com

**Michael Gerber's strategies in *The E-Myth* were instrumental in building my company from two employees to a global organization;** I can't wait to see how applying the strategies from *Awakening the Entrepreneur Within* will affect its growth!

Dr. Ivan Misner, founder and chairman, BNI; author, *Masters of Sales*

Michael Gerber's gift to isolate the issues and present simple, direct, business-changing solutions shines bright with *Awakening the Entrepreneur Within*. **If you're interested in developing an entrepreneurial vision and plan that inspires others to action, buy this book, read it, and apply the processes Gerber brilliantly defines.**

Tim Templeton, author, *The Referral of a Lifetime*

Michael Gerber truly, truly understands what it takes to be a successful practicing entrepreneur and business owner. He has demonstrated to me over six years of working with him that for those who stay the course and learn much more than just "how to work on their business and not in it" then they will reap rich rewards. **I finally franchised my business, and the key to unlocking this kind of potential in any business is the teachings of Michael's work.**

Chris Owen, marketing director,
Royal Armouries (International) PLC

Michael's work has been an inspiration to us. His books have helped us get free from the out-of-control life that we once had. His no-nonsense approach kept us focused on our ultimate aim rather than day-to-day stresses. He has helped take our business to levels we couldn't have imagined possible. In the Dreaming Room™ made us totally re-evaluate how we thought about our business and our life. We have now redesigned our life so we can manifest the dreams we unearthed in Michael's Dreaming Room™.

Jo and Steve Davison, founders, The Spinal Health Clinic
Chiropractic Group and www.your-dream-life.com

Michael Gerber is an outrageous revolutionary who is changing the way the world does business. **He dares you to commit to your grandest dreams and then shows you how to make the impossible a reality. If you let him, this man will change your life.**

Fiona Fallon, founder, Divine and The Bottom Line

Michael Gerber is a genius. Every successful business person I meet has read Michael Gerber, refers to Michael Gerber, and lives by his words. You just can't get enough of Michael Gerber. **He has the innate (and rare) ability to tap into one's soul, look deeply, and tell you what you need to hear. And then, he inspires you, equips you with the tools to get it done.**

Pauline O'Malley, CEO, TheRevenueBuilder

When asked "Who was the most influential person in your life?" I am one of the thousands who don't hesitate to say "Michael E. Gerber." **Michael helped transform me from someone dreaming of retirement to someone dreaming of working until age one hundred.** This awakening is the predictable outcome of anyone reading Michael's new book.

Thomas O. Bardeen

Michael Gerber is an incredible business philosopher, guru, perhaps even a seer. He has an amazing intuition, which allows him to see in an instant what everybody else is missing; he sees opportunity everywhere. **While in the Dreaming Room™, Michael gave me the gift of seeing through the eyes of an awakened entrepreneur, and instantly my business changed from a regional success to serving clients on four continents.**

Keith G. Schiehl, president, Rent-a-Geek Computer Servi

Michael Gerber is among the very few who truly understand entrepreneurship and small business. While others talk about these topics in the form of theories, methodologies, processes, and so on, Michael goes to the heart of the issues. **Whenever Michael writes about entrepreneurship, soak it in as it is not only good for your business, but great for your soul.** His words will help you to keep your passion and balance while sailing through the uncertain sea of entrepreneurship.

Raymond Yeh, co-author, *The Art of Business*

**Michael Gerber forced me to think big, think real, and gave me the support network to make it happen.** A new wave of entrepreneurs is rising, much in thanks to his amazing efforts and very practical approach to doing business.

Christian Kessner, founder, Higher Ground Retreats and Events

Michael's understanding of entrepreneurship and small business management has been a difference maker for countless businesses, including Infusion Software. **His insights into the entrepreneurial process of building a business are a must-read for every small business owner.** The vision, clarity, and leadership that came out of our Dreaming Room™ experience were just what our company needed to recognize our potential and motivate the whole company to achieve it.

Clate Mask, president & CEO,
Infusion Software

Michael Gerber is a truly remarkable man. His steady openness of mind and ability to get to the deeper level continues to be an inspiration and encouragement to me. **He seems to always ask that one question that forces the new perspective break open and he approaches the new coming method in a fearless way.**

Rabbi Levi Cunin, Chabad of Malibu

The Dreaming Room™ experience was literally life-changing for us. **Within months, we were able to start our foundation and make several television appearances owing to his teachings.** He has an incredible charisma, which is priceless, but above all Michael Gerber awakens passion from within, enabling you to take action with dramatic results . . . starting today!

Shona and Shaun Carcary,
Trinity Property Investments Inc.
Home Vestors franchises

I thought E-Myth was an awkward name! What could this book do for me? **But when I finally got to reading it . . . it was what I was looking for all along.** Then, to top it off, I took a twenty-seven-hour trip to San Diego just to attend the Dreaming Room™, where Michael touched my heart, my mind, and my soul.

Helmi Natto, president,
Eye 2 Eye Optics,
Saudi Arabia

I attended In the Dreaming Room™ and was challenged by Michael Gerber to "Go out and do what's impossible." So I did; **I became an author and international speaker and used Michael's principles to create a world-class company that will change and save lives all over the world.**

Dr. Don Kennedy, MBA; author,
*5 AM & Already Behind,*
www.bahbits.com

# The E Myth

## Chief Financial Officer

*Why Most Small Businesses Run out of Money and What to Do About It*

MICHAEL E. GERBER

FRED G. PARRISH

PRODIGY
BUSINESS BOOKS

***Published by***
Prodigy Business Books, Inc., Carlsbad, California.

***Production Team***
Patricia Beaulieu, COO, Prodigy Business Books, Inc., Erich Broesel, cover designer, BroselDesign, Inc.; Nancy Ratkiewich, book production, njr productions; Jeff Kassebaum, Michael E. Gerber author photographer, Jeff Kassebaum and Co.; Steve Crane, Fred G. Parrish co-author photographer, Steve Crane Productions.



For general information on other products and services, please visit the website: www.michaelegerber.com.

ISBN: 978-0-9835001-4-8 (cloth)
ISBN: 978-0-9835542-0-2 (audio)
ISBN: 978-0-9835542-1-9 (ebook)

Printed in the United States of America

10 9 8 7 6 5 4 3 2 1

*To Luz Delia Gerber, my partner, my wife, my inspiration, and my life . . .*
*Thank you for your perseverance, your indomitable will,*
*and your kind and generous soul . . .*
*You're spectacular!*

—Michael E. Gerber

# CONTENTS

# A WORD ABOUT THIS BOOK

## Michael E. Gerber

My first E-Myth book was published a long time ago, in 1985. It was the beginning of a long and enthralling exercise, called, by me, waking everyone up!

I named it, *The E-Myth: Why Most Businesses Don't Work and What to Do About It*.

The term, E-Myth, stood for the entrepreneurial myth. The fact that most small business owners aren't truly the entrepreneurs everyone thinks they are, but what I came to call, "technicians suffering from an entrepreneurial seizure!"

Since that book, and the company I created to provide business development services to its many readers, millions have read *The E-Myth* and the books that followed it, starting out with *The E-Myth Revisited,* and continuing with the more than 30 books which followed on its heels, along with the tens upon tens of thousands of small business owners who have participated in our E-Myth Mastery programs.

Since *The E-Myth Revisited* took the marketplace by storm, it became obvious to me that there was needed another series of books which addressed the application of my E-Myth Protocol in an entire subset of small companies, each of whom have been attracted to *The E-Myth* and applied its thinking to the extreme development of their uniquely designed Practices. The Practice of Law, or Chiropractic, of Landscape Contracting, et al. There are now eighteen of those "vertical books" addressing the seemingly unique problems of every field of endeavor, only to discover that my E-Myth Protocol has been applied successfully, and systematically, to each and every one of them.

So, my co-authors have become the most avid fans of our work, having told the story of how it has worked to grow their companies to a degree never thought possible before.

That's when the idea for this book series came about. What I think of as the Core Operating Series, co-authored by experts in each of the most critical strategic functions needing to be filled in every small growing company.

I think of those Strategic Functions as Financial, Legal, Operational, Strategic Leadership, Marketing, Technological, Social, and Administrative.

Think CFO, CEO, COO, CIO, CTO, CMO, CLO, and CAO.

In short, think getting one's house in order across the broad expanse of the Strategic Reach of any company as it grows from tiny to transformational.

It is our position that to be inordinately successful, every small company owner needs to assume the responsibility for each of these Eight Strategic Roles, until such time as he or she is able to replace him or herself with the individuals designated to fill those roles.

Since there's no better way of accomplishing an objective than by simply getting started with it, let's get started.

Allow me to introduce you to Fred Parrish, a brilliant purveyor of the financial credo committed to making capital work, if your work is ever to create capital.

Welcome to *The E-Myth Chief Financial Officer!*

What a brilliant opportunity for each of us to grow exponentially and to understand how that works.

—Michael E. Gerber<br>Co-Founder/Chairman<br>Michael E. Gerber Companies, Inc.<br>Carlsbad, California

# A NOTE FROM FRED

## Fred G. Parrish

My connection to the E-Myth started very early—actually more than ten years before Michael E. Gerber wrote the initial foundational book in the series. I know that seems implausible, but let me explain.

The very first job I had (beyond mowing lawns with my brother) was at McDonald's. Even at sixteen, I was amazed at the precision with which that place ran. *Everything* was orchestrated. From the opening procedures in the morning to closing at night and everything in between, the system was specific and detailed at every step.

I spent the first few days on the job in the basement of the store training on every aspect of the operation before I could "do" anything. Once I did begin working there were specific procedures for every station, checklists for every procedure, timers for food production and shelf life, daily inventory counts for every saleable item (including damaged cups and dropped hamburger patties). Even the amount of ketchup and mustard that went on each hamburger was measured exactly.

Not only were the operating procedures the same, but the layout of the area behind the counter was identical at every location. It was a "plug and play" environment for every job at every store, interchangeable from location-to-location. The procedures enabled management to optimize staff efficiency across multiple units while maintaining extremely high operational efficiencies.

Frankly, it was hard work, but quite an education at such a young age. The experience set the tone for my entire professional career—now nearly forty years.

Although I could not connect the dots at the time, choosing accounting as a major with an emphasis on financial analysis and programming fell right in line with the systematic and methodical approach that I read about in *The E-Myth Revisited* years later. And my personal need for structure has proven to be compatible with *The E-Myth* in every respect as well.

My wife would describe my personality as obsessive-compulsive (at least mildly). I prefer to call it an affinity for order and consistency. They are probably the same thing; my description just makes me feel a little better about it.

But back to the story. With my newly minted accounting degree, my experience from McDonald's and, my "special" qualities, I spent the first twelve years of my career trying to bring order to a rather chaotic world—the small private company where I went to work right out of school. The company grew more than 1,000 percent during my first eight years to become the world leader in its field with seven owned facilities in five countries and numerous joint ventures around the globe.

I started there as a staff accountant and was quickly given the responsibility of managing their very first "mini-computer" that arrived just a few weeks after I did. In the next four years, I was moved to assistant controller, controller and then CFO. In the three years that followed I was promoted to Executive VP (COO) and ultimately President and CEO where I spent five years traveling the world meeting with senior government officials and every major company in our industry. Those twelve years gave me an education in every possible aspect of the business that would have taken forty years at any other company.

Over the next thirteen years, I served in similar "C" level positions at several more diverse companies (both large and small and public and private). Each one presented its own set of circumstances and unique learning opportunities.

For the last twelve years, I have worked with hundreds of companies of all sizes operating in more than sixty industries. I have advised business owners in operational accounting and analysis, dynamic cash-flow planning, staff efficiency, organizational development, company operations, resource allocation, profit mining, strategic planning, and predictive management.

I am not trying to give you my resume per se. I only tell you all of this to provide the background for how I came to the conclusions I have about how companies should operate and the impact the E-Myth approach can have on their management.

Through the years I have witnessed many examples of how good organizations should be managed and countless others where the results were not nearly as positive as they could have been. I have seen numerous otherwise bright and capable people who took their businesses and inexplicably ran them into a wall. Most of those companies could have survived and thrived, but didn't. Why?

The signs were all there, and the concerns were voiced. They just couldn't "see" what was coming. They were more comfortable using instinct rather than data in decision-making. It was all very frustrating knowing what was developing and being unable to get the owners or managers to acknowledge the realities.

After watching these unhappy events play out over and over, I decided there had to be a better way for small business owners to manage their companies. I thought there must be a system that could be developed to provide an advanced warning of impending problems and offer the ability to test for different options to resolve them without the traditional trial and error approach. There would also need to be a mechanism for communicating those results with "actionable intelligence" that is readily understandable by any business owner. So I set out to find the answer.

Working as a CFO and with others in that role it was clear to me why every larger company has a CFO. CFOs are equipped to analyze, predict and, then help navigate through difficulties that are developing on the horizon. Unfortunately, most small businesses don't understand the value and cannot afford the luxury anyway. But someone has to do the work, or the company is at great risk. It was evident this function must be streamlined and made manageable by every business regardless of size and, capability.

The effort to resolve the small company CFO conundrum began several years before I started my own company. I tested financial management tools I had built over the years to see if it was possible to somehow integrate and automate the processes. I looked at how others were providing outsourced services, what software was available and I read numerous books. That is when I found *The E-Myth Revisited.* It put everything I had been thinking into context. I read it several times making notes in the margins and highlighting the important points. As I read and reread, I started having flashbacks to my time at McDonald's almost 30 years before and to the hundreds of dysfunctional operating situations I had witnessed over the twenty plus years to that point. I thought about how this methodology would have changed the outcomes at many of those failed companies if only they could have "seen" the information!

It all came into focus for me. The financial process must be standardized across the entire company in the same way all other systems are interconnected. The work can no longer be isolated with the accounting staff.

Frankly, the accounting department is usually where financial information goes to die. The accountants line the numbers up in the right columns, reconcile the bank accounts, and produce a few reports. Then the owner reviews the P&L and maybe the balance sheet sends a copy to the bank and drops it in a file never to be seen again. We must have a way to extract the intelligence that is hidden in those reports and put it to work.

We want a system that can be followed by anyone willing to have the discipline to implement it! It should be straightforward enough to be a "plug and play" process that facilitates broad involvement and acceptance by people in every function. And it must be flexible enough to work in every company.

In looking back on all of my experience I discovered that two seemingly contradictory conditions exist in every business simultaneously without exception—all companies are the same on one level, and at the same time, completely different on another.

What I mean is there are certain aspects of a business that must be managed well regardless of industry, product or service, number of locations, type and mix of staff, size of company, etc. All companies have people requirements, sales requirements, operational requirements, quality requirements, technology requirements, support requirements, admin requirements, etc. Regardless of the business, if these are not managed in an effective and balanced way success of any kind is highly unlikely.

At the same time, even companies in similar businesses or markets can be (and typically are) quite different from one another because they have different people, different strategies, different processes, different equipment, different facilities, etc. How well those nuances are managed will determine the degree to which the company achieves success.

Any system developed must be able to address both of these issues. It must provide for standardization in those very distinct areas common to all businesses while allowing for the truly infinite variations that can exist from company to company.

I had to find a way to standardize the financial planning and analysis (FP&A) process for the small business owner, a person who in most cases is a non-financial being. The average small business owner avoids accounting and finance like the plague. They loathe analysis and gravitate to those areas of their businesses that are sales or production oriented. The reason: that's often what they like to do and what they do best. Yet it is crucial for them to have clarity about the financial operations of their business. Otherwise, they are at risk of making a fatal decision at any point.

The system addressed in this book will add value to any company in any industry, as long as the people involved are willing to have the discipline to implement the various components and will diligently follow the process. Welcome to *The E-Myth Chief Financial Officer* process.

—Fred G. Parrish
President and CEO
The Profit Experts
www.Profit-Experts.com

# PREFACE

## Michael E. Gerber

I've never thought of myself as a CFO, not until I met Fred Parrish that is. I am not a Chief Financial Officer ("CFO"), though I have helped dozens of CFOs reinvent their businesses over the past forty years.

I like to think of myself as a thinker, maybe even a dreamer. Yes, I like to *do* things. But before I jump in and get my hands dirty, I prefer to think through what I'm going to do and figure out the best way to do it. I imagine the impossible, dream big, and then try to figure out how the impossible can become the possible. After that, it's about how to turn the possible into reality.

Over the years, I've made it my business to study how things work and how people work—specifically, how things and people work best together to produce optimum results. That means creating an organization that can do great things and achieve more than any other organization can.

This book is about how to produce the best results as a real- world CFO in the development, expansion, and *liberation* of your company.

In the process, you will come to understand what the role of a CFO is, and what it isn't. If you keep focusing on what it isn't, you're destined for failure. But if you turn your sights on what it is, the tide will turn.

This book, intentionally small, is about big ideas. The topics we'll be discussing in this book are the very issues that small company owners as CFOs face daily in the work they do. You know what they are: money, management, clients, and many more. My aim is to help you begin the exciting process of totally transforming the way you do business. As such, I'm confident that *The E-Myth Chief Financial Officer* could well be the most important book on the practice of owning a small company you'll ever read.

Unlike other books on this subject, my goal is not to tell you how to do the work you do. Instead, I want to share with you the E-Myth philosophy as a way to revolutionize the way you think about the work you do. I'm convinced that this new way of thinking is something owners of a company everywhere must adopt in order for their company to flourish during trying times and good times as well. I call it strategic thinking, as opposed to tactical thinking.

In strategic thinking, also called systems thinking, you, the owner of the company, will begin to think about your entire company—the broad scope of it—instead of focus solely on its individual parts. You will begin to see the end game (perhaps for the very first time) rather than just the day-to-day routine that's consuming you—the endless, draining work I call "doing it, doing it, doing it, busy, busy, busy."

Understanding strategic thinking will enable you to see the evolution of your company in its entirety and create a company which becomes a successful business, with the potential to flourish as an even more successful enterprise. But in order for you to accomplish this, your company, your business, and certainly your enterprise, must work *apart* from you instead of *because* of you.

The E-Myth philosophy says that a highly successful owner of a company can grow it into a highly successful business, which in turn can become the foundation for an inordinately successful enterprise that runs smoothly and efficiently *without* the owner of the company having to be in the office for ten hours a day, six days a week.

So what is "the E-Myth," exactly?

The E-Myth is short for the Entrepreneurial Myth, which says that most companies fail to fulfill their potential because most people starting their own companies are not entrepreneurs at all. They're actually what I call "technicians suffering from an entrepreneurial seizure."

When technicians suffering from an entrepreneurial seizure start a company of their own, they almost always end up working themselves into a frenzy; their days are booked solid with appointments, one client after another. These owners are burning the candle at both ends, fueled by too much coffee and too little sleep, and most of the time, they can't even stop to think.

In short, the E-Myth says that most owners of these companies don't own a true *business*—most own a job. They're doing it, doing it, doing it, hoping like hell to get some time off, but never figuring out how to get their company to run without them. And if your company doesn't run well without you, what happens when you can't be in two places at once? Ultimately, your company will fail.

There are a number of prestigious schools throughout the world dedicated to teaching the science of entrepreneurship. The problem is, they fail to teach the *business* of it. And because no one is being taught how to distinguish between a "Company of One" where the owner is essentially self employed—a Job—where the operation of the company should become more systems dependent rather than person dependent—and an actual Business—where the Management System becomes fully and dependably operational, most "small business owners," as they're commonly called, find themselves having to close their doors every year. You could be a world-class expert in every technical aspect of your company, but when it comes to building a successful company, all that specified knowledge matters exactly zilch.

The good news is that you don't have to be among the statistics of failure in each profession. The E-Myth philosophy I am about to share with you in this book has been successfully applied to many companies just like yours with extraordinary results.

The key to transforming your company—and your life—is to grasp the profound difference between going to work ON your company (systems thinker) and going to work IN your company (tactical thinker).

In other words, it's the incredibly unique relationship between going to work *ON* your company as an entrepreneur and going to work on your company as a CFO, which makes all the difference.

When the two roles are bonded into one, the company thrives. When the two are operating separately from one another, or not at all, at best they struggle, at worst they collide.

In short, the two roles—role of entrepreneur and the role of CFO—are not mutually exclusive. In fact, they are essential to each other. The problem with most small company owners is that the systems thinker—the entrepreneur—is completely absent. And so is the CFO.

The E-Myth philosophy says that the key to transforming your small company into a successful enterprise is knowing how to transform yourself from a technician into a successful technician-manager-leader-entrepreneur, and CFO. In the process, everything you do in your company will be transformed. The door is then open to turning it into the kind of company it should be—a job, a practice, a business, an enterprise of pure joy.

In short, The E-Myth not only *can* work for you, it *will* work for you.

In the process, it will give you an entirely new experience of your company and beyond.

To your future and your life. Good reading.

—Michael E. Gerber<br>
Co-Founder/Chairman<br>
Michael E. Gerber Companies, Inc.<br>
Carlsbad, California

# ACKNOWLEDGMENTS

## Michael E. Gerber

As always, and never to be forgotten, there are those who give of themselves to make my work possible.

To my dearest and most forgiving partner, wife, friend, and co-founder, Luz Delia Gerber, whose love and commitment takes me to places I would often not go unaccompanied.

To Trish Beaulieu, wow, you are splendid.

And to Nancy Ratkiewich, whose work has been essential for you who are reading this.

To those many, many dreamers, thinkers, storytellers, and leaders, whose travels with me in The Dreaming Room™ have given me life, breath, and pleasure unanticipated before we met. To those many participants in my life (you know who you are), thank you for taking me seriously, and joining me in this exhilarating quest.

And, of course, to my co-authors, all of you, your genius, wisdom, intelligence, and wit have supplied me with a grade view of the world, which would never have been the same without you.

Love to all.

# AKNOWLEDGMENTS

## Fred G. Parrish

To Cathey, my wife, and best friend. Thank you for all you do. I cannot tell you how much your love and encouragement mean to me. I couldn't do it without you. To my terrific kids Dustin, Jenna and Nick for always making me smile for so many reasons. And to my amazing grandkids Trinity, Linley, and Eliana for the unconditional love and joy you bring.

To my siblings Rene, Tim, Sherrie, Michelle, and Mike who I will always treasure. There are no words that can express the blessing of my parents, Fred Jr. and Charlotte—thank you for believing in me my entire life. I enjoy you all so much, and I miss you every day.

To Mark Sutton for your partnership over the years. I cannot thank you enough for your tireless effort on our many projects and the invaluable contribution you have made.

To our investors, board members, and the team at The Profit Experts—although the list is long, I appreciate each of you more than you know. Your tremendous enthusiasm for our mission keeps me energized and continually fighting toward the goal. And specifically, to my longtime friends and trusted confidants, T om Elder, Mike Weaver and, Robert Browning for your wisdom, ardent support and, excitement you have demonstrated for many years. You are all an inspiration.

Special thanks to Harrison Metzger for your insight and talent. You have added so much to this effort. I truly appreciate your help.

To all our friends and associates in other organizations who have been so incredibly supportive today and throughout the years. There are just too many to list here, but I value my relationship with each of you.

And most importantly praise for my Lord and Savior Jesus Christ who keeps me grounded in the truth and my eyes on the ultimate prize. I am so incredibly blessed!

# INTRODUCTION

## Michael E. Gerber

As I write this book, the marketplace continues to do what the marketplace has always done; it goes up and it goes down.

Today, in the Spring of 2018, it's feverishly bullish.

Tomorrow, it could tear your heart out.

What has always been true, however, is that the marketplace lives by rules great companies don't.

The marketplace is an emotional storm, where rules one day defy attitudes the very next.

Where the truth on Monday is beset upon by the truth like a ferocious dog on Tuesday.

If one were to run a company like the marketplace runs, disaster would be the common experience.

Come to think of it, while great companies do exactly the opposite of what the marketplace does, most companies unfortunately aren't great companies.

And that's why the vast majority of small companies which start up in any one year almost equal the number of small companies which close their doors in those very same years.

Think about it: for every one hundred new companies started, half of them fail in that very same year!

Doesn't matter what kind of company it is, either.

When a company, small or large, is operated based upon emotional decisions, that company is doomed to fail.

And, from the very beginning to the very end, the vast majority of small companies are purely operated by emotional decisions, choices, preferences, opinions, attitudes, beliefs, and hopes.

Thus, this book.

This is the first of my E-Myth books to be focused on Internal Functions, rather than upon industry or small business.

The function? The Chief Financial Officer. Or CFO.

Why CFO? Because the role of CFO is the most abused and misunderstood role in the world of business.

In some companies, and by proxy, an accountant becomes the company's CFO.

In most companies, and by proxy, the earnest bookkeeper becomes the company's CFO.

In even more than most companies, QuickBooks becomes the company's CFO.

I kid you not.

In millions of small companies, H&R Block determines the financial reality of their clients, the "small business owners" who go to them just before, or unfortunately long after, the tax return is due, long after all the mistakes have been made.

H&R Block! Or TurboTax!

Yes, where *quality* is critical to the strategic decisions being hopefully made, most often *quantity* is all most business owners get.

Meaning, the numbers. But not what the numbers *should* be telling you about the decisions you're being asked to make.

The sad truth is that the vast majority of small business owners haven't a clue what a true CFO does, nor do they realize the inordinate price they're paying for the lack of one.

Or, said more rightly, the horrendous cost they're experiencing on a daily basis not only for the lack of one, but even more tragically, that nobody told the owner that the role of CFO is one of the most important roles a small business owner must play should they choose to do without one.

It is our position in this book that if they're ever going to succeed at the most often punishing task of running their company successfully, every single of one of our readers must learn how to fulfill the CFO accountability in their company.

This book is about how to do that.

In each succeeding paragraph, Fred and I will introduce you to a new subject—People, Money, Subcontractos, Management, and so forth —and discuss them from the standpoint of an Owner and a CFO.

Think Owner-CFO, and you'll completely understand the job ahead.

Think one or the other, and you will have completely missed the point of this book.

In short, every Owner must take in, internalize and incorporate the Core Functions essential to Managing, Leading and Growing what we have come to call a "Great Growing Company," if anything is to change in the operation of one's small, and often stifling, tiny company.

Here's to the evolution of your enterprise, from a Company of One to a Company of Many.

Enjoy!

CHAPTER 1

# The Story of Steve and Peggy

## Michael E. Gerber

*Make every detail perfect, and limit the number of details to perfect.*
—Jack Dorsey, co-founder of Twitter

Every small business is a family business. To ignore this truth is to court disaster.

This is true whether or not family members actually work in the business. Whatever their relationship with the business, every member of a business owner's family will be greatly affected by the decisions they make about the business. There's just no way around it.

Unfortunately, like most small business owners, they also tend to compartmentalize their lives. They view the work they do as a technician on the job, rather than as a Manager on the Company and the Business, much less as an entrepreneurial Leader on the enterprise —in short, what they do—and therefore it's none of their family's business.

"This has nothing to do with you," says the business owner to his wife, with blind conviction. "I leave work at the office and family at home."

And with equal conviction, I say, "Not true!"

In actuality, your family and company are inextricably linked to one another. What's happening in your company is also happening at home. Consider the following and ask yourself if each is true:

- If you're angry at work, you're also angry at home.
- If you're out of control in your company, you're equally out of control at home.
- If you're having trouble with money in your company, you're also having trouble with money at home.
- If you have communication problems in your company, you're also having communication problems at home.
- If you don't trust in your company, you don't trust at home.
- If you're secretive in your company, you're equally secretive at home.

And you're paying a huge price for it!

The truth is that your company and your family are one—and you're the link. Or you should be. Because if you try to keep your company and your family apart, if your company and your family are strangers, you will effectively create two separate worlds that can never wholeheartedly serve each other. Two worlds that split each other apart.

Let me tell you the story of Steve and Peggy Walsh.

The Walshes met in college. They were in the same economics class, Steve a business major and Peggy majoring in marketing. When their discussions started to wander beyond Keynesian theory or multinational corporations and into their personal lives, they discovered they had a lot in common. By the end of the course, they weren't just talking in class; they were talking on the phone every night . . . and *not* about economics.

Steve thought Peggy was absolutely brilliant, and Peggy considered Steve the most passionate man she knew. It wasn't long before they were engaged and planning their future together. A month after graduation, they were married in a lovely garden ceremony in Peggy's childhood home.

While Steve studied at a prestigious business college, Peggy attended one of the Top 10 marketing universities nearby. Over the next few years, the couple worked hard to keep their finances afloat. They worked long hours and studied constantly; they were often exhausted and struggled to make ends meet. But through it all, they were committed to what they were doing and to each other.

After passing his certification exams, Steve became a manager in a busy company while Peggy completed her marketing degree. Soon afterward, the couple had their son, and Peggy decided to take some time off to be with him. Those were good years. Steve and Peggy loved each other very much, were active members in their church, participated in community organizations, and spent quality time together. The Walshes considered themselves one of the most fortunate families they knew.

But work became troublesome. Steve grew increasingly frustrated with the way the company was run. "I want to go into business for myself," he announced one night at the dinner table. "I want to start my own business."

Steve and Peggy spent many nights talking about the move. Was it something they could afford? Did Steve really have the skills necessary to make his own company a success? Were there enough clients to go around? What impact would such a move have on Peggy's future career as a market strategist, their lifestyle, their son, their relationship? They asked all the questions they thought they needed to answer before Steve went into business for himself . . . but they never really drew up a concrete plan.

Finally, tired of talking and confident that he could handle whatever he might face, Steve committed to starting his own company. Because she loved and supported him, Peggy agreed, offering her own commitment to help in any way she could. So Steve quit his job, took out a second mortgage on their home, and leased a small office nearby.

In the beginning, things went well. A building boom had hit the town, and new families were pouring into the area. Steve had no trouble getting new clients. His company expanded, quickly outgrowing his office.

Within a year, Steve had employed an office manager, Clarissa, to run the front desk and handle the administrative side of the business. He also hired a bookkeeper, Tim, to handle the finances. Steve was ecstatic with the progress his young company had made. He celebrated by taking his wife and son on vacation to Italy.

Of course, managing a business was more complicated and time-consuming than working for someone else. Steve not only supervised all the jobs Clarissa and Tim did, but also was continually looking for work to keep everyone busy. When he wasn't scanning industry journals to stay abreast of what was going on in the field or fulfilling continuing-education requirements to stay current on the standards in his industry, he was going to the bank, wading through client paperwork. He also found himself spending more and more time on the telephone dealing with client concerns and nurturing relationships.

As the months went by and more and more clients came through the door, Steve had to spend even more time just trying to keep his head above water.

By the end of its second year, the company, now employing two full-time and two part-time people, had moved to a larger office downtown. The demands on Steve's time had grown with the company.

He began leaving home earlier in the morning and returning later at night. He drank more. He rarely saw his son anymore. For the most part, Steve was resigned to the problem. He saw the hard work as essential to building the "sweat equity" he had long heard about.

Money was also becoming a problem for Steve. Although the company was growing like crazy, money always seemed scarce when it was really needed. He had discovered that he did not understand the complexity of getting paid from different customers. Sure, he got paid quickly, but some were beyond their usual 15–30 day payments.

In some cases, he didn't get paid for well over forty-five days.

When Steve had worked for somebody else, he had been paid twice a month. In his own company, he often had to wait—sometimes for months. He was still owed money on billings he had completed more than ninety days before.

When he made numerous calls to the company owners, it fell on deaf ears. They would shrug, smile, and say that they were doing the best they could and would pay on their accounts soon. Of course, no matter how slowly Steve got paid, he still had to pay *his* people. This became a relentless problem. Steve often felt like a juggler dancing on a tightrope. A fire burned in his stomach day and night.

To make matters worse, Steve began to feel that Peggy was insensitive to his troubles. Not that he often talked to his wife about the company. "Business is business" was Steve's mantra. "It's my responsibility to handle things at the office and Peggy's responsibility to take care of her own job and the family."

Peggy was working part-time at an ad agency, and they'd brought in a nanny to help with their son. Steve couldn't help but notice that his wife seemed resentful, and her apparent lack of understanding baffled him. Didn't she see that he had a company to take care of? That he was doing it all for his family? Apparently not.

As time went on, Steve became even more consumed and frustrated by his company. When he went off on his own, he remembered saying, "I don't like people telling me what to do." But people were still telling him what to do. On one particularly frustrating morning, his office had to change a contract that was set up incorrectly. The company had misspelled the client's name even though Steve had spelled it correctly on the application. He apprehensively remembered that when he had obtained this client, she had said her previous vendor's inability to change her address on an old account was one of the reasons she changed suppliers. After keeping Steve on hold for twenty-five minutes on a long-distance call, the company said it had to update the terms, which would take three to five business days. Steve was furious.

Not surprisingly, Peggy grew more frustrated by her husband's lack of communication. She cut back on her own hours at the ad agency to focus on their family, but her husband still never seemed to be around. Their relationship grew tense and strained. The rare moments they *were* together were more often than not peppered by long silences—a far cry from the heartfelt conversations that had characterized their relationship's early days, when they'd talk into the wee hours of the morning.

Meanwhile, Tim, the bookkeeper, was also becoming a problem for Steve. Tim never seemed to have the financial information Steve needed to make decisions about payroll, client billing, and general operating expenses, let alone how much money was available for Steve and Peggy's living expenses.

When questioned, Tim would shift his gaze to his feet and say, "Listen, Steve, I've got a lot more to do around here than you can imagine. It'll take a little more time. Just don't press me, okay?"

Overwhelmed by his own work, Steve usually backed off. The last thing Steve wanted was to upset Tim and have to do the books himself. He could also empathize with what Tim was going through, given the company's growth over the past year.

Late at night in his office, Steve would sometimes recall his first years out of school. He missed the simple life he and his family had shared. Then, as quickly as the thoughts came, they would vanish. He had work to do and no time for daydreaming. "Having my own company is a great thing," he would remind himself. "I simply have to apply myself, as I did in school, and get on with the job. I have to work as hard as I always have when something needed to get done." Steve began to live most of his life inside his head. He began to distrust his people. They never seemed to work hard enough or to care about his company as much as he did. If he wanted to go get something done, he usually had to do it himself.

Then one day, the office manager, Clarissa, quit in a huff, frustrated by the amount of work that her boss was demanding of her. Steve was left with a desk full of papers and a telephone that wouldn't stop ringing.

Clueless about the work Clarissa had done, Steve was overwhelmed by having to pick up the pieces of a job he didn't understand. His world turned upside down. He felt like a stranger in his own company.

Why had he been such a fool? Why hadn't he taken the time to learn what Clarissa did in the office? Why had he waited until now?

Ever the trouper, Steve plowed into Clarissa's job with everything he could muster. What he found shocked him. Clarissa's work space was a disaster area! Her desk drawers were a jumble of papers, coins, pens, pencils, rubber bands, envelopes, business cards, fee slips, eye drops, and candy.

"What was she thinking?" Steve raged.

When he got home that night, even later than usual, he got into a shouting match with Peggy. He settled it by storming out of the house to get a drink. Didn't anybody understand him? Didn't anybody care what he was going through?

He returned home only when he was sure Peggy was asleep. He slept on the couch and left early in the morning, before anyone was awake. He was in no mood for questions or arguments.

When Steve got to his office the next morning, he immediately headed for the makeshift kitchen, nervously looking for some Tylenol to get rid of his throbbing headache.

What lessons can we draw from Steve and Peggy's story? I've said it once and I'll say it again: Every business is a family business. Your business profoundly touches all members of your family, even if they never set foot inside your office. Every business either gives to the family or takes from the family, just as individual family members do.

If the business takes more than it gives, the family is always the first to pay the price.

In order for Steve to free himself from the prison he created, he would first have to admit his vulnerability. He would have to confess to himself and his family that he really didn't know enough about his own company and how to grow it.

Steve tried to do it all himself. Had he succeeded, had the company supported his family in the style he imagined, he would have burst with pride. Instead, Steve unwittingly isolated himself, thereby achieving the exact opposite of what he sought.

He destroyed his life—and his family's life along with it. Repeat after me: *Every business is a family business*.

Are you like Steve? I believe that all business owners share a common soul with him. You must learn that a business is only a business. It is not your life. But it is also true that your business can have a profoundly negative impact on your life unless you learn how to do it differently than most owners do it—and definitely differently than Steve did it.

Steve's company could have served his and his family's life. But for that to happen, he would have had to learn how to master his company in a way that was completely foreign to him.

Instead, Steve's company consumed him. Because he lacked a true understanding of the essential strategic thinking that would have allowed him to create something unique, Steve and his family were doomed from day one.

This book contains the secrets that Steve should have known. If you follow in Steve's footsteps, prepare to have your life and business fall apart. But if you apply the principles we'll discuss here, you can avoid a similar fate.

Let's start with the subject of *money*. But, before we do, let's listen to the CFO's view about the *story* I just told you. ⚜

CHAPTER

2

# The CFO and Your Company

## Fred G. Parrish

*Do not wait; the time will never be "just right." Start where you stand, and work with whatever tools you may have at your command, and better tools will be found as you go along.*

—Napoleon Hill

The company Michael describes in Chapter 1 is not atypical. In my experience, it is more the norm than the exception. Many business owners in that situation will feel the pain but never connect the dots. They will try to tough it out and make the best of a bad situation until they can sell the company to the highest bidder or transfer it to someone else. If they can make it that far.

It does not have to be that way.

Over nearly four decades I have worked closely with hundreds of companies in numerous roles. I have worked with large companies and small, public companies and private, and with both domestic and international operations. These are companies in many different types of manufacturing and distribution, and a host of services from plumbing and roofing to accounting and legal to medical and dental to technology and software development—more than sixty industries in all.

In all of this experience I have determined these companies are not nearly as different as each of their owners would like to think. I cannot count the number of times I have been told "my company is different, that will not work for us . . ." Only to find that in *every* case the benefits proved to be substantial where the owners (and their teams) engaged in the use of a specific system and were disciplined in its application. In fact, we have saved more than 50 percent of the companies we have worked with from eventual failure. The other 50 percent have grown and thrived.

In working through numerous difficult situations with these business owners I have also learned the hard lesson that you cannot truly understand the implications of a certain set of circumstances without living through them. Managing a severe cash flow problem is at the top of that list.

You may be able to understand it from an intellectual perspective or possibly even have an idea about the stress that is associated. But unless you have a direct and personal experience in that environment you have no idea what it's like.

I don't mean a situation where you have a few vendors who are unhappy with their payments or possibly where employees are unhappy that the benefits aren't as good as they could be or maybe they haven't had raises in a while. Sure, that's unpleasant, but that's not even close.

I'm talking about a situation where you have X dollars and you need X times 5. Where vendors are calling all day every day with non-stop obscenities and accusations that their spouse died because you didn't pay their bills (I'm not kidding), employee's paychecks are bouncing, people are collapsing in the halls from the pressure (again, I'm not kidding), the IRS is threatening to seize your bank accounts and put the company's officers in prison, investors are threatening to "pull the plug," morale is toxic and YOU are the one answering the phone.

It is physically painful, emotionally devastating, and psychologically debilitating. Your health suffers, your family suffers and you're not sure how it will ever get better.

The harsh reality is that it rarely does. Most of these companies never recover. The best way to ensure your company survives is to never allow it to get to that point in the first place.

I have lived through or helped others live through more of these nightmares than I care to remember. The sad fact is that many of these situations could have been avoided. With the right system(s), the appropriate tools, and a focused and disciplined effort by everyone, including the owner(s), situations like this can be managed and you will live to fight another day.

The key to avoiding near financial death is to have absolute clarity about the operations of the company and to gain as much runway for action before impending emergencies develop. The only way to accomplish that is to understand where you are today and how your actions will impact the cash flow outcomes in the future. To do this you will need someone to act as your CFO.

The role of the CFO is to maximize financial returns across the organization by optimizing all functions in the company. In some areas, they will have direct control of the systems and can manage the outcomes. However, in many functions, they will only have indirect authority and will need to influence others to produce results.

If your company is large enough to have a true CFO (at least in some form—fulltime, part-time, virtual, etc.), then good for you. If it's not, you're it. So, what exactly does it mean to have a CFO, or more troubling, to be a CFO as an owner? To answer that question, it probably makes sense to explain what a CFO is, the typical background required, and how they function within the organization.

Information is key to operating a profitable business and an analytical CFO perspective is critical to understanding that information. Without the proper reporting systems and a correct interpretation of the outputs, many symptoms of impending problems will be missed. The results can be devastating.

A mistake many business owners make is assuming their internal staff or outside CPAs will warn them of a problem in advance. So, they will often assign their bookkeepers, staff level accountants or controllers the title of CFO because they believe that it will somehow elevate their company in the view of the outside world (i.e. their bank) and they believe because they call someone a CFO that person will operate as one. Not so.

Internal staff in most small companies are focused on transactional functions and do not have the requisite skills to analyze the numbers sufficiently to anticipate significant problems or assist with strategic planning. Sure, this is not necessarily the case in every small business, but apart from venture-backed entities, it's the rare company where this is not true.

Also, business owners have been conditioned over many decades to believe that CPAs are expert in everything financial. Unfortunately, that is not necessarily the case. Although small business CPAs are usually bright, capable professionals, they are largely focused on compliance related activities such as accounting services or periodic reviews (debits and credits), payroll services and tax payments (transactions), and tax planning or filing returns (compliance reporting). They are not focused on the operational functions in the business and they rarely look at the financials in that way.

While the business owner is assuming their CPA is analyzing the company's financials every month and reporting any activity that may result in problems, that's rarely the case. The truth is that few CPAs have the experience of running a business outside their accounting practice and can provide the advice business owners need.

Also, the CPA is usually thinking of putting the numbers in the right "buckets" and planning for the year-end tax process. They are not focused on operational analysis. This disconnect is very dangerous. It puts the business owner at risk of not being able to recognize developing issues until months or possibly years down the road. By the time they see these issues coming, it's usually too late to do much about them without a draconian action that will damage the company. In fact, some never recover sufficiently and ultimately become a statistic—one of the hundreds of thousands of companies that go out of business every year.

## So, What is a True CFO and How Should They Support the Company's Operations?

Many CFOs start their careers working in accounting departments at companies or with CPA firms of varying sizes.

In operating companies, they typically focus on managing the day-to-day accounting functions such as posting checks, recording deposits, generating payroll and producing financials statements.

At CPA firms, they primarily work on audit or review engagements and preparing tax returns. They may have provided what the AICPA (American Institute of Certified Public Accountants) calls "Trusted Advisor Services" which would be very useful as a CFO, but these capabilities are not offered by most firms. Except in rare cases, they are primarily compliance oriented—debits, credits and tax returns. Sound familiar?

Although CFOs usually have training as accountants or CPAs and can have advanced degrees such as MBAs, their role as CFO demands quite a bit more. Even though these professionals may have certain fundamental elements, without specific training in financial analysis and predictive management, they will lack the essential CFO experience that is key to a company's success: the ability to anticipate events well in advance of their occurrence and the talent for developing a plan to manage them.

Most often, key analytical training will come in an operational analyst position in larger companies or under fire in the controller role in smaller companies. Each of these situations has certain limitations and makes it difficult for an individual to get the broad experience necessary to be an effective CFO.

Analysts in large companies usually have very limited scope and are focused on specific areas of the business for extended periods of time. It takes years to gain enough experience across many operating functions of a larger business to perform well as CFO.

Similarly, individuals who have been put in controller roles for smaller companies may never gain enough experience to have the broad background required, unless they have been working in several diverse companies with varied requirements over many years.

Yes, CFOs must have a good understanding of tax and accounting to oversee those functions. But accounting is keeping score and tax is compliance. Neither will make your company great. Also, the company will usually have a CPA to ensure external reporting and tax returns are completed correctly.

The reality is that tax and accounting are both looking backward to report where you've been. A CFO should be looking forward to determine where you should be going. You would never drive down the highway at 70 mph looking out your back window. Sure, you need to know what's behind you, but it's more important for you to be looking forward so you can anticipate and react to problems that may be developing. The role of CFO is no different.

Until recently CFOs weren't expected to be part of the company's management team. They were seen more as enforcers and not terribly helpful in the strategic areas of the business. They were always asking for answers to seemingly trivial questions about sales volumes or expense variances with little or no advice regarding the operational areas of the business.

However, that has changed. Now, in addition to accounting and basic financial management, CFOs are required to be an integral member of the strategic planning team and experts in processes, product development, sales strategies, technology resources, human resources and risk management. They are expected to know the answers to just about any question the CEO/owner might ask about business performance and should be able to communicate effectively with the company's owners, lenders, vendors and other stakeholders.

CFOs must also be able to manage the hidden costs associated with their company's operations such as poor quality, unnecessary waste, underperforming assets, compensation requirements, staff efficiencies or turnover and other items that could affect the company's profits that are not directly reflected in the financial statements.

A key aspect of the CFO's role is predicting which actions will give the company the best chance for success in the future. They must be able to identify the business drivers and the key elements that will produce the best outcomes. They should anticipate the effect of market conditions and have contingency plans sufficient to ensure optimal performance under any circumstance. They must understand what revenue mix and which staffing levels will produce the best margins. And they absolutely must know when cash issues will develop, the extent to which the company will be affected and what actions should be taken to mitigate the impact. Without this information, you are flying blind and any decisions are based on an educated guess at best.

How do they go about this? A good CFO must have the skills and tools to analyze the various details associated with the company's operations and determine which trends and anomalies should be considered when developing forecast assumptions. They must answer these questions along with many others.

- What is an important and recurring trend and what is a one-off event that may or may not impact operations going forward?
- What longer business trends should be considered to ensure that timing fluctuations are reflected appropriately?
- What changes in the business should be built into any forward-looking analysis to reflect new operating conditions?

With the proper CFO level tools, a business owner can augment their internal staff and external professionals to anticipate problems before they develop and plan the necessary actions to make corrections well ahead of the actual event.

Now is the perfect time to see what Michael has to teach us about *money*. ⚜

CHAPTER

3

# On the Subject of Money

## Michael E. Gerber

*If money is your hope for independence, you will never have it. The only real security that a man will have in this world is a reserve of knowledge, experience, and ability.*

—Henry Ford

Had Steve and Peggy first considered the subject of *money* as we will here, their lives could have been radically different.

Money is on the tip of every small business owner's tongue, on the edge (or at the very center) of every small business owner's thoughts, intruding on every part of a small business owner's life.

With money consuming so much energy, why do so few small business owners handle it well? Why was Steve, like so many small business owners, willing to entrust his financial affairs to a relative stranger? Why is money scarce for most owners of the company? Why is there less money than expected? And yet the demand for money is *always* greater than anticipated.

What is it about money that is so elusive, so complicated, so difficult to control? Why is it that every owner of the company I've ever met, hates to deal with the subject of money? Why are they almost always too late in facing money problems? And why are they constantly obsessed with the desire for more of it?

Money—you can't live with it and you can't live without it. But you better understand it and get your people to understand it. Because until you do, money problems will eat your company for lunch.

You don't need an accountant or bookkeeper to do this. You simply need to prod your people to relate to money very personally. From the receptionist to the bookkeeper to the technician conducting service calls, they all should understand the financial impact of what they do every day in relationship, like a great CFO would, to the profit and loss of the company.

And so you must teach your people to think like owners, like CFOs, not like technicians or office managers or receptionists. You must teach them to operate like personal profit centers, with a sense of how their work fits in with the company as a whole.

You must involve everyone in the company with the subject of money—how it works, where it goes, how much is left, and how much everybody gets at the end of the day. You also must teach them about the four kinds of money created by the company. Not just your company, but every company.

## The Four Kinds of Money

In the context of owning, operating, developing, and exiting from a company, money can be split into four distinct but highly integrated categories:

- Income
- Profit
- Flow
- Equity

Failure to distinguish how the four kinds of money play out in your company is a surefire recipe for disaster.

Important Note: Do not talk to your accountants or bookkeepers about what follows; it will only confuse them and you. The information comes from the real-life experiences of thousands of small business owners, most of whom were hopelessly confused about money when I met them. Once they understood and accepted the following principles, they developed a clarity about money that could only be called enlightened. In short, they developed the Clarity of a CFO. Strategic Thinking is, without a doubt, CFO thinking. CFO thinking is Leadership thinking. Leadership thinking enables an owner, and the people who are accountable for managing the affairs of a truly enterprising company, to exceed the stultifying performance that plagues most.

## The First Kind of Money: Income

Income is the money business owners are paid by their company for doing their job *in* the company. It's what they get paid for going to work every day.

Clearly, if owners of the company didn't do their job, others would have to, and *they* would be paid the money the company currently pays the owner of the company. Income, then, has nothing to do with *ownership*. Income is solely the province of *employee-ship*.

That's why to the owner of the company-as-*employee*, income is the most important form money can take. To the owner of the company-as-*owner*, however, it is the least important form money can take.

Most important; least important. Do you see the conflict? The conflict between the owner of the company-as-employee and the owner of the company-as-owner?

We'll deal with this conflict later. For now, just know that it is potentially the most paralyzing conflict in an Owner-as-CFO's life.

Failing to resolve this conflict will cripple you. Resolving it will set you free.

## The Second Kind of Money: Profit

Profit is what's left over after a company has done its job effectively and efficiently. If there is no profit, the company is doing something wrong.

However, just because the company shows a profit does not mean it is necessarily doing all the right things in the right way. Instead, it just means that something was done right during or preceding the period in which the profit was earned.

The important issue here is whether the profit was intentional or accidental. If it happened by accident (which most profit does), don't take credit for it. You'll live to regret your impertinence.

If it happened intentionally, take all the credit you want. You've earned it. Because profit created intentionally, rather than by accident, is replicable—again and again. And your company's ability to repeat its performance is the most critical ability it can have.

As you'll soon see, the value of money is a function of your company's ability to produce it in predictable amounts at an above-average return on investment.

Profit can be understood only in the context of your company's purpose, as opposed to *your* purpose as an Owner. Profit, then, fuels the forward motion of the company that produces it. This is accomplished in four ways:

- Profit is *investment capital* that feeds and supports growth.
- Profit is *bonus capital* that rewards people for exceptional work.
- Profit is *operating capital* that shores up money shortfalls.
- Profit is *return-on-investment* capital that rewards you, the owner of the company, for taking risks.

Without profit, a company cannot subsist, much less grow. Profit is the fuel of progress.

If a company misuses or abuses profit, however, the penalty is much like having no profit at all. Imagine the plight of an Owner-as-CFO who has way too much return-on-investment capital and not enough investment capital, bonus capital, and operating capital. Can you see the imbalance this creates?

## The Third Kind of Money: Flow

Flow is what money *does* in a company, as opposed to what money *is*. Whether the company is large or small, money tends to move erratically through it, much like a pinball. One minute it's there; the next minute it's not.

Flow can be even more critical to a company's survival than profit, because a company can produce a profit and still be short of money. Has this ever happened to you? It's called profit on paper rather than in fact.

No matter how large your company, if the money isn't there when it's needed, you're threatened—regardless of how much profit you've made. You can borrow it, of course. But money acquired in dire circumstances is almost always the most expensive kind of money you can get.

Knowing where the money is and where it will be when you need it is a critically important task of both the owner of the company-as-employee and the owner of the company-as-owner.

## Rules of Flow

You will learn no more important lesson than the huge impact flow can have on the health and survival of your company, let alone your business or enterprise. The following two rules will help you understand why this subject is so critical.

1. **The First Rule of Flow states that your income statement is static, while the flow is dynamic.** Your income statement is a snapshot, while the flow is a moving picture. So, while your income statement is an excellent tool for analyzing your company *after* the fact, it's a poor tool for managing it in the heat of the moment.

Your income statement tells you (1) how much money you're spending and where, and (2) how much money you're receiving and from where.

Flow gives you the same information as the income statement, plus it tells you *when* you're spending and receiving money. In other words, flow is an income statement moving through time. And that is the key to understanding flow. It is about management in real time. How much is coming in? How much is going out? You'd like to know this daily, or even by the hour if possible. By the week with frequent reviews is a minimum but never by the month.

You must be able to forecast flow. You must have a flow plan that helps you gain a clear vision of the money that's out there next month and the month after that. You must also pinpoint what your needs will be in the future.

Ultimately, however, when it comes to flow, the action is always in the moment. It's about *now*. The minute you start to meander away from the present, you'll miss the boat.

Unfortunately, few owners of the company pay any attention to flow until it dries up completely and slow pay becomes no pay. They are oblivious to this kind of detail until, say, clients announce that they won't pay for this or that. That gets an owner of the company's attention because the expenses keep on coming.

When it comes to flow, most owners of the company are flying by the proverbial seat of their pants. No matter how many people you hire to take care of your money, until you change the way you think about it, you will always be out of luck. No one can do this for you.

Managing flow takes attention to detail. But when flow is managed, your life takes on an incredible sheen. You're swimming with the current, not against it. You're in charge!

2. **The Second Rule of Flow states that money seldom moves as you expect it to.** But you do have the power to change that, provided you understand the two primary sources of money as it comes in and goes out of your company.

The truth is, the more control you have over the *source* of money, the more control you have over its flow. The sources of money are both inside and outside your company.

Money comes from *outside* your company in the form of receivables, reimbursements, investments, and loans.

Money comes from *inside* your company in the form of payables, taxes, capital investments, and payroll. These are the costs associated with attracting clients, delivering your services, operations, and so forth.

Few owners of the company see the money going *out* of their company as a source of money, but it is.

When considering how to spend money in your company, you can save—and therefore make—money in three ways:

- Do it more effectively.
- Do it more efficiently.
- Stop doing it altogether.

By identifying the money sources inside and outside your company, and then applying these methods, you will be immeasurably better at controlling the flow in your company.

But what are these sources? They include how you

- manage your services;
- buy supplies and equipment;
- compensate your people;
- plan people's use of time;
- determine the direct cost of your services;
- increase the number of clients seen;
- manage your work;
- collect reimbursements and receivables; and
- countless more.

In fact, every task performed in your company (and ones you haven't yet learned how to perform) can be done more efficiently and effectively, dramatically reducing the cost of doing business. In the process, you will create more income, produce more profit, and balance the flow.

## The Fourth Kind of Money: Equity

Sadly, few owners of the company fully appreciate the value of equity in their company. Yet, equity is the second most valuable asset any owner of the company will ever possess. (The first most valuable asset is, of course, your life. More on that later.)

**Equity is the financial value placed on your company by a prospective buyer.**

Thus, your *company* is your most important product, not your services. Because your company has the power to set you free. That's right. Once you sell your company—providing you get what you want for it—you're free!

Of course, to enhance your equity, to increase your company's value, you have to build it right. You have to build a company that works. A company that can become a true business and a business that can become a true enterprise. A company/business/enterprise that can produce income, profit, flow, and equity better than any other company can.

To accomplish that, your company must be designed so that it can do what it does systematically and predictably, every single time.

## The Story of McDonald's

Let me tell you the most unlikely story anyone has ever told you about the successful building of a company, business, and enterprise. Let me tell you the story of Ray Kroc.

You might be thinking, "What on earth does a hamburger stand have to do with my company? I'm not in the hamburger business; I'm an Owner-as-CFO."

Yes, you are. But by running your business as you have been taught, you've abandoned any chance to expand your reach, help more clients, or improve your services the way they must be improved if the company—and your life—is going to be transformed.

In Kroc's story lies the answer.

Kroc called his first McDonald's restaurant "a little money machine." That's why thousands of franchisees bought it. And the reason it worked? Kroc demanded consistency, so that a hamburger in Philadelphia would be an advertisement for one in Peoria. In fact, no matter where you bought a McDonald's hamburger in the 1950s, the meat patty was guaranteed to weigh exactly 1.6 ounces, with a diameter of 3⅝ inches. It was in the *McDonald's Operation Manual.*

Did Kroc succeed? You know he did! And so can you, once you understand his methods. Consider just one part of his story.

In 1954, Kroc made his living selling the five-spindle Multi-mixer milkshake machine. He heard about a hamburger stand in San Bernardino, California, that had eight of his machines in operation, meaning it could make forty shakes simultaneously. This he had to see.

Kroc flew from Chicago to Los Angeles, then drove sixty miles to San Bernardino. As he sat in his car outside Mac and Dick McDonald's restaurant, he watched as lunch customers lined up for bags of hamburgers.

In a revealing moment, Kroc approached a strawberry blonde in a yellow convertible. As he later described it, "It was not her sex appeal but the obvious relish with which she devoured the hamburger that made my pulse begin to hammer with excitement."

*Passion.*

In fact, it was the French fry that truly captured his heart. Before the 1950s, it was almost impossible to buy fries of consistent quality. Kroc changed all that. "The French fry," he once wrote, "would become almost sacrosanct for me, its preparation a ritual to be followed religiously."

*Passion and preparation.*

The potatoes had to be just so—top-quality Idaho russets, eight ounces apiece, deep-fried to a golden brown, and salted with a shaker that, as Kroc put it, kept going "like a Salvation Army girl's tambourine."

As Kroc soon learned, potatoes too high in water content—and even top-quality Idaho russets varied greatly in water content—will come out soggy when fried. And so Kroc sent out teams of workers, armed with hydrometers, to make sure all his suppliers were producing potatoes in the optimal solids range of 20 to 23 percent.

Preparation and passion. Passion and preparation. Look those words up in the dictionary and you'll see Kroc's picture. Can you envision your picture there?

Do you understand what Kroc did? Do you see why he was able to sell thousands of franchises? Kroc knew the true value of equity, and unlike Steve from our story, Kroc went to work *on* his business rather than *in* his business. He knew the hamburger wasn't his product— McDonald's was!

So what does *your* company need to do to become a little money machine? What is the passion that will drive you to build a company that works—a turn-key system like Ray Kroc's?

## Equity and the Turn-Key System

What's a turn-key system? And why is it so valuable to you? To better understand it, let's look at another example of a turn-key system that worked to perfection: the recordings of Frank Sinatra.

Frank Sinatra's records were to him as McDonald's restaurants were to Ray Kroc. They were part of a turn-key system that allowed Sinatra to sing to millions of people without having to be there himself.

Sinatra's recordings were a dependable turn-key system that worked predictably, systematically, automatically, and effortlessly to produce the same results every single time—no matter where they were played, and no matter who was listening.

Regardless of where Sinatra was, his records just kept on producing income, profit, flow, and equity, over and over . . . and still do! Sinatra needed only to produce the prototype recording, and the system did the rest.

Kroc's McDonald's is another prototypical turn-key solution, addressing everything McDonald's needs to do in a basic, systematic way so that anyone properly trained by McDonald's can successfully reproduce the same results.

And this is where you'll realize your equity opportunity: in the way your company does business; in the way your company systematically does what you intend it to do; and in the development of your turn-key system—a system that works even in the hands of ordinary people (and owners of companies less experienced than you) to produce extraordinary results.

Remember:

- If you want to build vast equity in your company, then go to work *on* your company, building it into a business that works every single time.
- Go to work *on* your company to build a totally integrated turn-key system that delivers exactly what you promised every single time.
- Go to work *on* your company to package it and make it stand out from the companies you see everywhere else.

Here is the most important idea you will ever hear about your company and what it can potentially provide for you:

*The value of your equity is directly proportional to how well your company works. And how well your company works is directly proportional to the effectiveness of the systems you have put into place upon which the operation of your company depends.*

Whether money takes the form of income, profit, flow, or equity, the amount of it—and how much of it stays with you—invariably boils down to this. Money, happiness, life—it all depends on how well your company works. Not on your people, not on you, but on the system.

Your company holds the secret to more money. Are you ready to learn how to find it?

Earlier in this chapter, I alerted you to the inevitable conflict between the owner-as-employee and the owner of the company-as-owner. It's a battle between the part of you working *in* the company and the part of you working *on* the company. Between the part of you working for income and the part of you working for equity.

Here's how to resolve this conflict:

1. Be honest with yourself about whether you're filling *employee* shoes or *owner* shoes.
2. As your company's key employee, determine the most effective way to do the job you're doing, *and then document that job*.
3. Once you've documented the job, create a strategy for replacing yourself with someone else who will then use your documented system exactly as you do.
4. Have your new employees manage the newly delegated system. Improve the system by quantifying its effectiveness over time.
5. Repeat this process throughout your company wherever you catch yourself acting as employee rather than owner.
6. Learn to distinguish between ownership work and employeeship work every step of the way.

Master these methods, understand the difference between the four kinds of money, develop an interest in how money works in your company . . . and then watch it flow in with the speed and efficiency of a perfectly delivered golf swing.

Now let's take another step in our strategic thinking process. Let's look at the subject of *planning*. But first, let's look at what Fred has to say about *money*. ⚜

CHAPTER

4

# The CFO and Managing Money

## Fred G. Parrish

*Some people make things happen, some watch things happen, while others wonder what has happened.*

—Gaelic Proverb

Cash is the lifeblood of any company and how you manage it will determine the amount of "money" you can generate (as described by Michael in Chapter 3). Without sufficient cash, paying income is difficult, profit is fleeting, flow is erratic and equity is minimal or nonexistent.

Without a reliable and predictable cash stream, you cannot appropriately plan for much of anything. And don't fool yourself. Without the ability and discipline to plan, any success you have will be purely by chance.

Of course, there are the rare businesses that can generate plenty of cash despite inconsistent management efforts. Unless you're lucky enough to have a company like this, the inability or refusal to plan puts you at risk of making a fatal decision at any moment. And unfortunately, by the time you see problems coming, it could be too late to do much about them.

Many business owners believe that increasing revenue will solve all their problems and spend most of their time chasing sales. I certainly understand that logic and it makes sense if the ultimate outcome results in positive cash flow. However, if items are sold at the wrong margins or other areas of the business are neglected in the pursuit of revenue the results can be very unfavorable regardless of the level of sales.

Preserving or increasing cash should be the foundation on which all decisions are made. If you have sufficient cash, you can weather any storm and will have the resources to support the associated operating requirements of any level of growth.

Sure, sales and profitability are important, but without conversion to cash they're not worth the effort it took to produce them. In fact, it would be much better if you had not gone through the effort in the first place. What good would it do you to invest a lot of time and money in producing revenues and generating "paper profits" without ever being able to collect them?

For example, let's say you sell something for $5,000 and it cost you $4,000 to produce. If you convert that $5,000 to cash you're not only recovering the $4,000 you invested, you also receive $1,000 as profit. A 20 percent return is very good. However, if you never collect the $5,000 you not only lose the profit but you're out the $4,000 it took to produce that item. Since most companies' profit margins are much lower than 20 percent, writing off even a relatively small amount of the total revenue could eliminate any profit or possibly create a net loss overall.

This is not to say that every action should be considered based on "profitability at the exclusion of everything else." A shortsighted approach can lead to decisions that appear to be favorable in the short term but may result in bad outcomes over the long-term. There must be a balance.

However, this balance requires information that allows you to make the right decisions at the right time. Without the proper systems, you cannot have confidence in the information you use for making decisions and you are left to rely on what is in your head or some "rule of thumb" that may or may not be accurate. Your CFO must put these systems in place and manage the process to provide the critical information required. We will cover these concepts in more detail in Chapter 6.

## Income

Income is the most basic form of money and should be considered "table stakes" in any sustainable business. Without the cash to pay income you will not be able to continue operating either for yourself or for anyone else.

Without sufficient income (and a surplus beyond that minimum), you will not have the cash to hire any staff to provide the support you will need in growing from a company of one. And if you pay yourself excess income, you will drain the company of needed resources to develop beyond you alone. Again, planning is the key to striking that right balance and your CFO should be doing that planning.

However, the reality is that until you can generate enough income and sufficient surplus cash *you* must function as the CFO. In this role, you will need to do the planning. You will need to understand what it means to bring in a dollar of revenue and how the operating structure must grow and organize to support each level of sales. You will need to understand what it means to generate profit. And you cannot leave this someone who is not equipped to handle it. But don't worry, we will address the details of planning in Chapter 6 and you will know exactly what to do.

## Profit

You must understand that you cannot control the company's profit from your office or your boardroom. It requires the efforts of everyone in the company. Each person in the business can make hundreds of decisions every day. Some are larger, more important and deliberate steps, but most are smaller seemingly incidental actions. However, the cumulative effect of all those decisions day by day, week by week, month by month over the years will define your company—good or bad. If there is more than one person in the company, the performance, and ultimately the money generated, cannot be controlled by edict or policy.

Not only should each staff member be trained in every part of their jobs, there must be effective communication between the different functions in the business. It is crucial that each employee understand their role as it relates to others in the company. They should be clear about the effect of their actions both upstream and downstream from the function they perform and how they can contribute to the success of the company. Defining the correct systems will ensure this communication is appropriate.

To produce profit the CFO must influence every aspect of the business, from pricing to sales to staffing to material management to the operating environment. Systems must be in place to make the actions consistent and repeatable while reports provide reliable and objective feedback. Continuous analysis and interpretation with action to maximize favorable results and mitigate unfavorable ones will always produce better profit than a haphazard unfocused approach.

If you are acting as the CFO, you will need to get your hands dirty. Do not leave the design of your systems to your CPA or a staff accountant who may not fully understand the details of your business. This is not accounting where a mistake can be corrected later with little or no affect. It is the life of your business where a decision based on bad information could be fatal. Your CFO must be integrally involved in the process to ensure the information you're receiving is accurate and reflects the operations correctly.

Think about it. What good is a system that provides bad or even questionable information? It is incredibly dangerous to have a system you think is working but is designed incorrectly and produces inaccurate or inconsistent results. Your CFO must be constantly reviewing and testing the systems to ensure they are appropriate and accurate in the outcomes produced. Your company's health depends on it.

## Flow

Managing flow is critical to the survival of any business. You must be able to predict when and how much money will be available for all aspects of the business.

Monthly or quarterly information is not sufficient to give you enough actionable intelligence to respond appropriately to avoid a flow crisis. You will need to have weekly information at a minimum and in times of a cash crisis daily details will be necessary.

To accomplish this, your CFO will need to understand how your sales are generated, when they are generated, when they are collected, how they will change over time, the direct costs associated with each type of product or service, and what kind of support structure is required at each level of sales. Since these details will change constantly over time they will need to be updated on a regular basis. The systems and tools will need to be in place that provide timely and accurate information to use when revising your numbers.

I understand, if you have none of these or only a portion of this information it seems like a daunting task. However, you can always start with a very simple spreadsheet or even jot out the numbers on the back of a napkin. But you must start somewhere. Ignoring the inability to know this information is a recipe for disaster. And just because you ignore it does not change the outcomes. This will be a significant part of the information provided in Chapter 6 on planning.

## Equity

Although equity requires a much longer view, it's still driven by cash flow in the business. It is determined by the amount and consistency of the other types of money in your business over time.

There are many ways a company can be assigned a value and depending on who is assigning that value they may look at several options to arrive at a final offer. However, valuations in specific industries will often be based on a multiple of revenue, EBITDA (an acronym for Earnings Before Interest, Taxes, Depreciation, and Amortization) or possibly net profit. For example, if companies in your industry are currently valued at a 4x multiple of EBITDA and your EBITDA is $50,000 then the value of your company is 4 x $50,000 = $200,000.

There can be adjustments to your numbers for your personal compensation (income) or other related items, but often that is viewed as an ongoing expense since the company will need to have someone in your role going forward. The best way to ensure a favorable outcome is to understand how companies in your market are valued and plan over extended periods to reflect the best possible results (profit) to be used in the calculation.

However, the bottom line is that unless you have a lot of assets with significant value to sell, no one will pay much for a company that has a limited or erratic cash stream or little potential to enhance their respective opportunity for improved cash flow over time after the transaction is completed.

When the time comes to sell your company, you will need to demonstrate the value of the business to the buyer(s). To prove reasonable value, you must show a history of stable performance in generating each type of money year over year for at least three to five years. However, to display superior value you must show continual improvement in cash flow over multiple years. The amount of improvement will influence the degree to which it will affect the overall value (equity). This must be planned and managed continuously.

Again, a haphazard approach here will rarely produce acceptable results. Unless you are willing to bet your future on pure luck you must use a different method—one that requires constant planning, analysis and course adjustment over extended periods. To accomplish this, you must establish the systems by which the information will be captured and the process with which it will be managed. This is the role of the CFO and should be the focus in every decision.

The CFO must be the driving force in the business to optimize financial returns in every action and at every level of the operation. They must not only look at the technical aspects of pricing, inventory management, production processes, staff management and compensation, sales and marketing returns, vehicle costs, facility costs, capital expenditures, debt requirements and other general and administrative costs. They must also look at the intangibles, the nuances and the hidden factors associated with each of those areas as well. Optimizing staff efficiencies, production schedules, internal communications, training, turnover and alignment will add value to the equity every time.

Now let's see what Michael has to say about *planning*. ⚜

# AFTERWORD

## Michael E. Gerber

For more than four decades, I've applied the E-Myth principles I've shared with you in this book to the successful development of tens of thousands of small businesses throughout the world in every imaginable industry.

Few rewards are greater than seeing these E-Myth principles improve the work and lives of so many people. Those rewards include seeing these changes:

- Lack of clarity—clarified
- Lack of organization—organized
- Lack of direction—shaped into a path that is clearly, lovingly, passionately pursued
- Lack of money or money poorly managed—money understood instead of coveted; created instead of chased; wisely spent or invested instead of squandered
- Lack of committed people—transformed into a cohesive community working in harmony toward a common goal; discovering each other and themselves in the process; all the while expanding their understanding, their know-how, their interest, their attention

After working with so many small business owners, I know that a company can be much more than what most become. I also know that nothing is preventing you from making your company all that it can be. It takes only desire and the perseverance to see it through.

In this book—the next of its kind in the E-Myth Expert series—the E-Myth principles have been complemented and enriched by stories from Fred G. Parrish, a real-life CFO, who has put these principles to use in the companies he has actually led. In all of these companies, Fred Parrish possessed the desire and perseverance to achieve success beyond their wildest dreams. Now you, too, can join their ranks.

I trust this book has helped you clear your vision and set your sights on a very bright future.

To your company!

# ABOUT THE AUTHOR

## Michael E. Gerber

Michael E. Gerber is the international legend, author, and thought leader behind the E-Myth series of books, including *The E-Myth Revisited*, *E-Myth Mastery*, *The E-Myth Manager*, *The E-Myth Enterprise*, *The Most Successful Small Business in the World* and *Awakening the Entrepreneur Within*, *and Beyond the E-Myth*.

Collectively, Mr. Gerber's books have sold millions of copies worldwide. Michael Gerber is the founder of E-Myth Worldwide, and the co-founder of Michael E. Gerber Companies™, The Dreaming Room™, Design, Build, Launch and Grow™ and the newest venture, Radical U. Since 1977, Mr. Gerber's companies have served the business development needs of over 100,000 business clients in over 145 countries. Regarded by his avid followers as the thought leader of entrepreneurship worldwide, Mr. Gerber has been called by Inc. Magazine, "the world's #1 small business guru." A highly sought-after speaker and strategist, who has single handedly been accountable for the transformation of small business worldwide, Michael lives with his wife, Luz Delia, in Carlsbad, California.

# ABOUT THE CO-AUTHOR

## Fred G. Parrish

Fred G. Parrish is the founder and CEO of The Profit Experts and The Profit Institute. Since 1980 he has held positions from staff accountant to CEO in both public and private companies with revenues ranging from startup to $3.5 billion. Fred has served on the Board of Directors for twelve organizations in aerospace, manufacturing, healthcare services, business services, insurance, international missions, technology, and document management. He has extensive experience in directing and overseeing company operations, managing corporate resource development, and directing strategic planning for domestic and international organizations. With this broad experience in both operations and financial management in a wide range of industries and at all levels of the organization, he has developed a proven process for optimizing operational analysis, dynamic cash flow management, staff efficiency planning, profit mining and organizational development. Fred is a speaker and instructor on subjects related to profit and cash flow optimization. **www.profit-experts.com**

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The E-Myth Expert series brings Michael E. Gerber's proven E-Myth philosophy to a wide variety of different professional practice areas. The E-Myth, short for "Entrepreneurial Myth," is simple: too many small businesses fail to grow because their leaders think like technicians, not entrepreneurs. Gerber's approach gives small enterprise leaders practical, proven methods that have already helped transform more than 100,000 businesses. Let the E-Myth Expert series boost your professional practice today!

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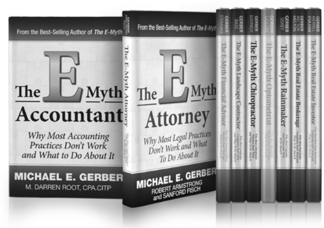


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To find out how *YOU* can apply the E-Myth to *YOUR* practice, contact us at gerber@michaelegerber.com.

***Thank you for living your Dream, and changing the world.***

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# Praise for *The E-Myth Chief Financial Officer*

As a small business owner – serving as your CFO – doing it the Fred Parrish and Michael E. Gerber way will make you: look smart, manage smart and, lead smart. The results will be meaningful; your bankers will be impressed.
**–R.L. THORNTON III, Vice Chairman (Retired),** JPMorgan Chase, Dallas, TX

A great book on the Chief Financial Officer's Role in managing resources, growth, change, and getting results—I highly recommend it.
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*The E-Myth Chief Finacial Officer* is long overdue. A Chief Financial Offier is no longer a luxury. A Chief Financial Offier is and must be treated as an essential member of any management team. The concepts in this book are essential to creating, building and managing a successful business. A hearty, congratulations to Michael Gerber and Fred Parrish for creating this financial guide to small business success.
**–RON FINKLESTEIN, Small Business Success Expert,**
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If you want to grow your business, start with this book! Fred's practical step-by-step process will give you the ability to identify financial problems before they occur. This easy to read the book will help you understand how to proactively make changes to your business that will take it to the next level. Let Fred give you real-life examples of how actual small business owners have grown their companies by implementing the tools found in this book. The best news is you do not have to be an accountant to take advantage of these systems. Fred breaks down every system and process into actionable steps with templates and forms that any business owner can use to become the driving force of their profits.
**–MARK LANGFORD, Executive Director,** North Texas SBDC

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ISBN 978-0-9835001-4-8
53495
9 780983 500148