

Hi, this is Wayne Rivers at the Family Business Institute. Thanks for tuning in. We are excited to bring you this blog. A couple of quick things, we're interested in your comments so click the button below and let us know what you're thinking. The other thing we're interested in is suggestions for future blogs. What are you interested in? What are we not covering in our blogs? What would really grab your attention as something you think really needs to be talked about in the context of family business?

One other aside. A quick commercial. We are in the talent acquisition mode right now. We are looking for a man or woman who is a terrific, sophisticated, successful business person to work with us running one of our peer groups ... one or more of our peer groups. Specifically, we have found that people who are ... maybe sold their businesses or somebody whose career is winding down, and they've turned the business over to another family member, people who are super successful are really good facilitators of groups of other super successful business people. We're in the talent hunt, and we're looking for someone who kind of fits that mold who would be interested in running some of our peer groups for us. If that sounds like you, let us know, give us a buzz and let's talk about it and we can get into more detail later.

Today's blog's, one of my pet peeves, one of the things that we talk about in our "Family Business Crisis", our newest book, is the difference between accounting and finance. Most people in business, especially small business, use the terms interchangeably, accounting or finance, okay? They are not the same. They are not the same and we, in a rather heavy-handed way, I kind of made that point in this particular book but let's think about it. What's the difference between accounting and finance?

When you think about accounting you should be thinking about the accuracy of your financial transactions: AR, AP, Payroll, collecting money, reconciling stuff at the end of the month, all the compliance reporting and of course taxes. By God, family business leaders are the most obsessed people about taxes. The tax tail wags the dog all too often when it comes to family businesses. Don't get me started on that. All that stuff, all those topics that I talked about really have to do with compliance. You're complying with rules, you're putting the right number in the right box on your tax return, that kind of stuff. You're tracking the day to day ins and outs and flows of money in the business. I don't want to say it's bookkeeping but a lot of it is bookkeeping.

Now, let's talk about finance. Finance is different. Finance is budgeting, strategy, analyzing growth and how it's going to affect your finances. Key performance indicators, or KPIs, you've heard us talk about that before, planning for the future. Troubleshooting ... if I buy this piece of equipment, or we open an office in this city what's it gonna do to us in terms of our P&L, and our balance sheet and how long is it gonna take to recover our costs, etc. It's analysis, okay? So, if you think about what I talked about with AP and AR and compliance on the one hand and then budgeting and strategy and growth and forecasting on the other hand, you see the difference between accounting and finance.

Accounting has to do with what has happened in the past. How do we code this money that came in last week so it fits into our financial system easily? Finance, on the other hand, looks forward. It's a big difference there. Finance is forward looking. Accounting is backward looking. Past versus future. We are really good at the past.

You had a good year last year, right? You made a lot of profit last year, terrific. How does that help me now? That time has come and gone. There is not a blessed thing I can do about it even if we had a rotten year. At this point, there is nothing I can do about something that happened 12/31/16. What I need to be focused on is the finances. As a business person, I need to be focused on finance. That's where we should be focusing as leaders in family businesses.

Depending on where you are in your family business life evolution, you have accounting in place. Accounting always comes first because you've got to do that stuff. You've got to track all that stuff. Nobody wants to go to jail because they didn't make their payroll taxes on time, right? You probably have a good team in place to do your accounting and focus on the past and get everything right from a compliance and accuracy stand point. I've seen this and it's epidemic, we talk about it quite a bit here. It's epidemic among family businesses. They've got an accounting team in place and the business grows from five million in sales to thirty million in sales and they say, "You know what? You used to be our controller, now you're our CFO." Same person. That person didn't wake up smarter or better or more sophisticated, just got a different title and maybe a pay increase. There is not many CFO's out there in family businesses. I don't know what you call yours. There's not many CFO's out there in family businesses.

A lot of times people call them CFO's or Controllers, heck, they're barely bookkeepers. If your family business has grown from five to twenty-five or twenty-five to seventy-five million in annual sales you really, really, really need to start thinking about getting a true CFO, getting somebody who can analyze the future of your finances. Finding people to do bookkeeping, a dime a dozen. Accounting schools are graduating people every single year. A dime a dozen. CFO's? People who can forecast the future and be a partner with you in terms of strategy and intellectual fire power, those people are pretty rare and that's what you need to be looking for as you grow and make your family business more prosperous. This is Wayne Rivers at the Family Business Institute. Thank you. od, family business leaders are the most obsessed people about taxes. The tax tail wags the dog all too often when it comes to family businesses. Don't get me started on that. All that stuff, all those topics that I talked about really have to do with compliance. You're complying with rules, you're putting the right number in the right box on your tax return, that kind of stuff. You're tracking the day to day ins and outs and flows of money in the business. I don't want to say it's bookkeeping but a lot of it is bookkeeping.

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