

Is the Fractional Model Right for Your Business? | Video Transcript

Jay Rammes

Jill Prendergast

Jay Rammes:

Welcome. Hi, I am Jay Rammes, managing partner here at Barnes Dennig. I'm joined by Jill Prendergast, who helps lead our CAAS segment of the firm. I'm really excited to be here for this portion of Ask the Experts. The CAAS group has probably been... Not probably, it's one of the fastest growing segments of Barnes Dennig since we entered the space back in 2019. And a key part of that is Jill, and she's here to share a little bit with us so we can all better understand what fractional services are, what CAAS services are, and how it might apply to you or your business.

So, Jill, I guess at the highest level, tell me a little bit about fractional services. I'm familiar with bookkeeping because I'm old, but tell me a little bit about how that's grown into our current fractional and CAAS services.

Jill Prendergast:

So fractional accounting is beyond bookkeeping in that your traditional bookkeeper is AP/AR, payroll, cash reconciliation. And I would say that the fractional is the advisory space where it's someone who's going to come in and translate for you what your financials mean as a business owner. It's someone who's going to look more future focused and less in the past. Yes, we're going to go over historical trends of your business and tell you what they've meant in the past for you, but try and align to where you want to go in the future.

So if you have a growth pattern of you want to be at an additional \$5 million in two years, what does that really mean month over month for you? How do we get you there? What does the size of your team need to scale to? What efficiencies and processes technology wise do you need so that you don't necessarily have to always add headcount? So the fractional space is for businesses who don't yet need a full-time CFO or controller resource, but still be able to tap in into that knowledge and experience base on a part-time basis.

Jay Rammes:

So whereas bookkeeping would traditionally stop at making sure the numbers are in the system, this is the numbers were in the system, but we're going to

help interpret that. So we're going to play a role in your executive team to help you interpret the facts, provide value and contribute.

Jill Prendergast: Yep. We're going to go past the transaction.

Jay Rammes: Great. Fantastic. So for our listeners, tell us a little bit of what type of company, whether it be a particular industry or size, large, small, not-for-profit, what tends to work the best for this type of situation?

Jill Prendergast: So for-profit or non-for-profit, looking for businesses who truly want to grow in the next three to five years. And that's where we can tap in and be of a high value. Industry-wise we follow all the traditional Barnes Dennig industries with our resources in house, and we can go past that, but it can be from logistics to consumer goods, manufacturing, commercial real estate. And again, we have a big non-profit (practice) at Barnes, so we can definitely service those organizations as well.

Jay Rammes: And I've heard that in the past where clients who decided to go this route and use fractional CFOs, it's they weren't using just a portion of a person, a fractional, but they knew they were being supported by a much larger firm that had all these different types of industry specializations and tax expertise, sales tax, all these things behind the scenes that would help that fractional person. So they were getting not just the person, but a whole wealth of experience. Is that fair to say?

Jill Prendergast: Yeah, I completely... Yeah. It's great that we have the Barnes Dennig team and experts in our backstop. We can tap into them whenever. We can bring them in for shorter periods or project-based if we're doing a merger/acquisition, if we're doing a family buyout or someone... Turning over to the next generation, what does that mean? What's the structure? There's a tax play there and an operational play? How do we service that? And I think it's great. We have our sales and use tax. A lot of businesses don't understand in different states outside of Ohio what they should be doing. And as they expand and grow, we have that in the back of the house to help with our team, and that is servicing their accounts.

Jay Rammes: Can you provide for the listeners maybe an example or two of projects or fractional relationships that we've had in the past year or so?

- Jill Prendergast: Yeah, so we've had a situation where we went into... A CFO was retiring, and he had been with a business for 35 years. And so we were going in on a fractional basis just to kind of help because the business owners had decided to sell and they didn't necessarily want to bring a CFO in-house who they knew was not going to have a long-term place with them. And so that turned into an original thought pattern of three months, and it expanded into 18 months because we went through all the steps without ownership from selection of buyer to acquisition and actually executing and then also shutting it down, so all the way to their last tax return. So that was a huge success I think for us.
- Jay Rammes: Yeah, it was absolutely because... I believe that was my client that you're referring to, and it was just a perfect scenario, but it doesn't have to be someone that's selling or there's a short horizon, and that's why they don't want to hire a full-time person. We have other clients where we're simply outsourcing.
- Jill Prendergast: Their full accounting.
- Jay Rammes: Or full accounting. Right?
- Jill Prendergast: Yeah. We step in and we can do the full accounting or we can just do one piece of it. We can manage the in-house staff of that team, so you don't have to change your staff or team. We can bring our team to you. A lot of times our team does stay somewhat remote, but our advisors do go onsite and make sure they have that personal touch and relationship with the client.
- Jay Rammes: All right. I find...we've spent some time talking about the resource plans in the past. I think that's really a fascinating part of the process of onboarding a potential client or a client in this space. Can you explain to everyone who's never gone down this road or may have done it in the past with another firm how we approach the relationship in the guise of the resource plan?
- Jill Prendergast: I would say we have it through three touch bases, and the first one is just an initial teams call, hearing what your needs are, what opportunities there are, what kind of industry, what kind of size, making sure it's the right collaborative fit for us. Then we go on site and do a two to three hour discovery. We dive into the weeds of your business, we ask questions, we try and see if there's opportunities you may not be thinking, staffing changes, those kind of things. But really we let you kind of know us and we get to know you and we make sure it's going to be a great partnership.



And from that discussion, we start building a resource plan. The resource plan outlines the kind of resources you need, the number of hours per resource, maybe there's two, maybe you need a controller and a staff accountant, maybe the controller's in play for 10 to 15 hours a month because they're there just to do the high level reporting for you, your cash forecasting, those kind of things. Maybe the staff is doing all your transactional work and that's a little bit higher of a lift that might be 20 to 30 hours. We're outlining all of this for you so that we can kind of tell you what our recommendation as the expert is to give you the business to make sure that you're growing and understanding your numbers for the future.

And so then once we've developed the plan, we do a final touch base. It's a conversation. We present the resource plan to you live. We want feedback, you know your business better than we do, just from the short time we've spent with you. We want input. We want you to feel like you have a complete play into what we're setting up for you for success in your financial world. And then from there, it's a discussion if we proceed forward or not. And if everyone's comfortable.

Jay Rammes:

I love that approach because I just find it to be a very collaborative approach with the client because again, a lot of us... I mean, I buy services as well in different fields, and I don't always know what I don't know if you will. And so through that process, the client better understands the breadth of services that are available, and together they can help rightsize and determine what they need, which better establishes their expectations on both sides so that we make sure we're doing everything they need to be successful. So that's great. That's fantastic. anything else you want to share with us about the CAAS group or ideal opportunities or...?

Jill Prendergast:

I mean, I think an ideal opportunity is if you don't understand your balance sheet or your P&L or how you've trended in the last few years, or you know you want to go somewhere but you don't know how to get there. There's always the opportunity. You don't need a full-time advisor, you can have someone come in and be a part of your team and really help you through this strategic pattern of growth in your lifecycle of a company.

And I think in the financial world, there are four stages and it starts with a bookkeeper and it goes all the way to a traditional CFO. In our world we slate it in kind of stage two and three where you're really scaling and growing and how

do you build that company for future success at this time, at the critical time, and we're happy to help with those things.

Jay Rammes: Yeah, that's a great point. So this fits a bunch of needs. It's the growing company that may have outgrown the bookkeeper but not fully into the controller, fully into the CFO space. So there's this need, but there's also, quite frankly, a shortage of talent in the marketplace. And so the prices of those positions could be very expensive. And so we don't really lead with, "We're here to save you money." But we do save people money because when you use a fractional person, it's a fraction of the salary, a fraction of the benefits, et cetera, et cetera. Yet you pretty much get the full value.

Jill Prendergast: Yeah. But you're also getting a customized resource tailored to your needs versus just trying to slot someone in part-time. We're really trying to focus on each individual business and what their needs are, and then also making sure that our resources are tailored to understand their business and are going to be a success for them.

So when we do the discovery session, we're thinking of the talent we have in house and do we make sure we have that for you and that they're going to come in, hit boots on the ground and start adding value. We don't need to know your processes A to Z. The thing that's nice about it is we've touched enough businesses, we can bring expertise from other areas into your business. So it's a win for our team because they love to see new things, they love to add value, and this is what they want to do every day.

Jay Rammes: Fantastic. Jill, again, you and your team do a great job. I'm just so excited what you guys have built and the future that we have for that group. It's been a tremendous value for our clients in the marketplace. So thank you. Congratulations.

That's just a small snippet of what Jill and her team can do for you. So if you'd like, please reach out to myself or Jill and we'll get you taken care of. Thank you.