
CFO
SPECIAL ISSUE
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SHARING FINANCIAL DATA WITH EMPLOYEES
WAGE-AND-HOUR LAWSUITS ON THE RISE
HOW MIDSIZE FIRMS CAN GET LARGE-COMPANY DEALS
Beyond The Banks
With banks still cautious about making loans, companies are turning to alternative lenders

CONTENTS

Trendline

4 >> From the Editor

7 >> Growth Companies

Surprise: Small-Business Owners Favor Obama

Romney may be less supportive of small business than the President, a survey says. **By David Rosenbaum**

8 >> The Economy

The Economic Glass: Half Empty

Small businesses see few reasons for cheer, according to the NFIB's Optimism Index. **By Edward Teach**



10 >> Management Accounting

Disclosing Private Numbers

Sharing some financial information with employees can be a plus for private companies. **By Kathleen Hoffelder**

11 >> Supply Chain

How a Midsize Business Can Get *Fortune* 500 Deals

You may not be your supplier's largest customer, but that doesn't mean you can't get big-company pricing. You just have to understand your leverage. **By Scott Drobes**



28 >> Take-Away

Making Its Mark

Front Burner Brands CFO **Scott Pierce** talks about the challenges of international growth. **By Marielle Segarra**

Features

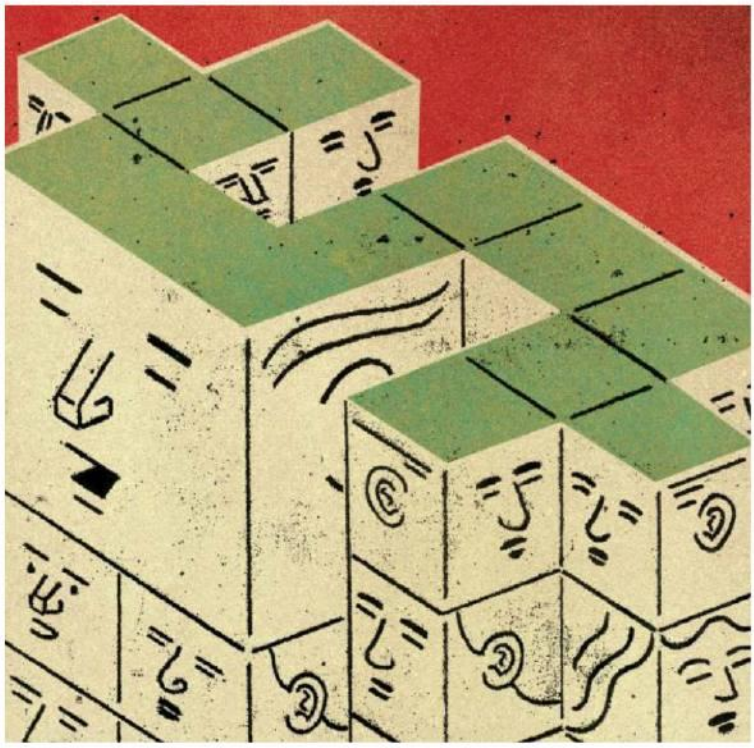


16 GOING INTO OVERTIME

Wage-and-hour lawsuits are on the rise, with workers seeking millions in unpaid overtime. By Marielle Segarra

22 COVER STORY BEYOND THE BANKS

With banks still cautious, smaller companies are turning to alternative lenders for funds. By Alix Stuart



Cover illustration by Brian Cronin. This page, clockwise from top right: Michael Morgenstern, David Plunkert, courtesy of Front Burner Brands, Zack Blanton

Half. CFOs can use financial data to engage employees and motivate a company's workforce, he says.

Keeping employees abreast of a company's current financial situation can also ensure good communication on other levels and even help quash rumors that could be festering. "Today, more and more employees are keenly aware of what's going on around them," says McGonigal. "They know that the financial stability of their employer has a direct effect on their personal lives, so they are more interested as a group."

Executives don't have to tell all to get the desired results. "You don't have to give them the complete financial overview of revenue and net operating profit down to the dollars and cents," says McDonald. "You could talk about percentages. You could talk about gross margin, SG&A [selling, general, and administrative expenses], and then wrap those all into the overall objectives of the organization."

So what's the best way to do that? Before sharing a company's financial statistics with employees, a CFO should determine the right amount of data to be shared, how often to share it, and whether to use a town-hall meeting or other kind of presentation to get the message across, says McGonigal. For private companies in general, semiannual communication is appropriate, he says.

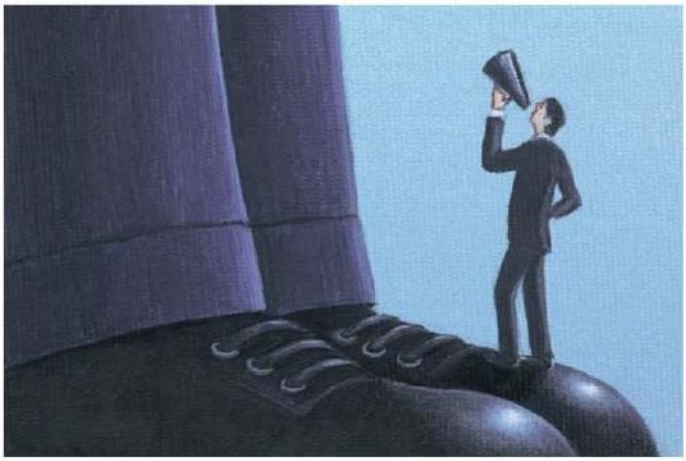
Having an in-person presentation for employees in the office and a live feed for workers based elsewhere can help private companies work toward better financial communication, McGonigal adds. For companies that employed this method, he notes, "the message was getting out consistently to the employee groups."

Private-company CFOs who actually present financial data rather than merely handing out written documents can better maintain control of the data and keep certain items confidential, such as sales for a particular geographic area, points out McGonigal. The most successful finance chiefs, he notes, "didn't hand out a piece of paper where somebody might be able to walk out of the room with [it]." CFO

CFOs should determine the right amount of data to be shared and how often to share it.

SUPPLY CHAIN

How a Midsize Business Can Get *Fortune* 500 Deals



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You may not be your supplier's largest customer, but that doesn't mean you can't get big-company pricing. You just have to understand your leverage.

BY SCOTT DROBES

Large companies have an obvious advantage negotiating with vendors. After all, if your

purchases represent a significant percentage of the supplier's bottom line, it's easier to get a good deal. But even if your company's revenue is not counted in billions, the same deals the big guys get may be available to your business if you follow these five strategies:

1 **Leverage your growth.** Suppliers often find smaller growth companies to be more attractive customers than their larger, more mature counterparts. Growth companies drive new sales and represent the biggest opportunities for your suppliers. Even if your current spend is relatively modest, you can get price improvements by educating your suppliers on the growth of your business, and helping them to understand how that growth will drive future purchases. For example, you might leverage a tiered pricing model that benefits from growing volumes.

2 **Leverage your value.** Focus on the areas, and the individuals, within the supplier organization that view your account as strategic. Your company may be a top client within a key industry or market, or you may be purchasing a product line or service that is particularly important to the vendor. At the very least, remember that you are a big part of your account manager's compensation. You might even be his biggest customer, or a key client within his region.

3 **Understand the marketplace.** Before entering negotiations, you should have benchmark data on the products, services, and volumes you're purchasing. Some of this information is relatively easy to obtain. For example, vendor contracts with federal, state, and local governments are in the public domain and are often available online. In the private sector, you may need to invest in third-party data or engage a consulting firm. But benchmarks are only a piece of the puzzle. Equally important is the current market environment for the specific vendor with which you're working. Is the supplier winning market share? Is it "buying" sales with wholesale pricing? What revenue targets does it have for the particular products you're evaluating?

4 **Negotiate strategically.** Your value to your supplier should never be limited to revenue. A strategic negotiation will seek out value arbitrage. That is, in return for pricing and term improvements, figure out how to provide your supplier with something that costs you less than the value it provides the supplier. For example, you should brainstorm with potential suppliers to identify areas where you can mitigate their fulfillment costs, such as electronic order processing. Maybe they need testimonials or references. Are they willing to make concessions for early adoption of new products?

5 **Negotiate objectively.** Employees in your business units often have long-term relationships with their account managers and the delivery team, making objectivity difficult. When a supplier has performed well in the past, buying managers are often reluctant to negotiate. As a result, you may be paying a premium for the relationship. An independent internal procurement organization can mitigate these risks, as can engaging third-party expertise to support your negotiations. CFO

SCOTT DROBES IS A MANAGING PARTNER OF THIRD LAW SOURCING, AN ATLANTA-BASED CONSULTING FIRM SPECIALIZING IN STRATEGIC VENDOR NEGOTIATION.



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