

VANCOUVER BUSINESS JOURNAL

Key to Southwest Washington Business

Financials can be more than a tax-time burden

Management consulting firm specializes in designing bookkeeping around a business's operations

BY SHANE CLEVELAND

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When Paul Winters, owner of Vancouver's Winters and Associates, would visit clients of his management consulting business, he always found it difficult to extract valuable information from companies' financial reports. While the reports clearly showed net sales and income, they didn't explain where or how money was being spent and made.

"They are great for compliance work," said Winters. "But they don't tell me what is going on in the business; they don't define the business process for me."

After 15 years of reformatting his clients' financial statements so he could better serve them, he realized that his clients and other businesses could benefit from the ability to design financial reports unique to the company.

Following an almost yearlong analysis of the marketplace for such a service, Winters launched a management information reporting business last year.

The company keyed in on smaller businesses – \$5 million and under – in which most of their work is performed by people who are not well trained in accounting or bookkeeping functions, said Winters. Additionally, for many small businesses, bookkeeping is not a full-time job, making it a part-time function of a full-time employee. "Outsourcing is very beneficial to those organizations who cannot afford nor need full-time capacity of a level of expertise," said Winters.

Troutdale, Ore., artist Rip Caswell was one of Winters' first bookkeeping clients.

By outsourcing his bookkeeping to Winters, Caswell said he cut costs in areas such as payroll and even his cell-phone plan.

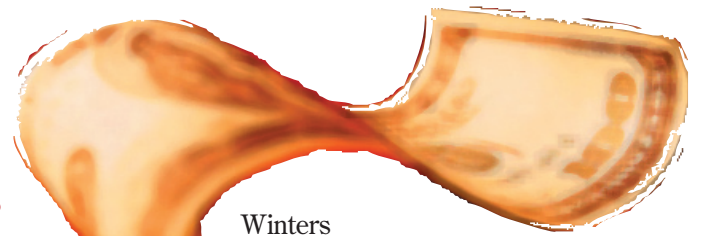
Caswell generates revenue from several segments of his business, including a gallery, a foundry and through the sale of his own art. His previous accounting system commingled all of the segments. By reformatting his financials, Caswell discovered the foundry was not profitable. Previously, his accounting was done by an outside bookkeeper who reported directly to Caswell's accountant, who would in turn report to Caswell.

As an artist, Caswell said he is very visual. By breaking down his financials to better reflect his unique business process, he is able to make more sense of the information, where before he was overwhelmed.

"Many times (small business owners) try to do it all ourselves to cut costs," said Caswell. "As small business owners, our attributes are better spent in other areas."

When working with a client, Winters first visits with them to identify their business process, which results in the creation of an accounting system that provides a better view of how the business operates. The company's financials are transformed from a compliance reporting tool to a guide for managing the business and implementing accountability.

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Winters employs bookkeeping professionals who work with clients, as well as bankers and accountants, on a continual basis to administer and review their reports. The biggest expense to businesses is an initial consultation fee, which varies from business to business, to create a customized program. Clients are then charged based on hours worked by the bookkeepers.

"You get a higher level of expertise and a focused amount of time," said Winters.

Cheryl Teigen, owner of Portland-based Third Party International, a marketing and sales consulting company, said the service has allowed her to see if too much money or energy is being spent in a particular area. As a business that contracts its services out, TPI is now able to track profit and loss for specific jobs. As an example, if \$2,000 is spent on a \$1,500 contract, she is able to make specific changes to prevent future loss.

Teigen used to perform the bookkeeping herself using Intuit's QuickBooks software. She said it was done well enough by her to complete the company's tax return at the end of the year, but that's as far as it went. While she said the initial set-up was fairly involved, Teigen said outsourcing her bookkeeping not only lifted the bookkeeping burden from her shoulders, it provided her with a bigger picture of her business.

Gregory Railsback, principal of Vancouver accounting firm Schiller and Co., shares a mutual client with Winters. Since utilizing the service, the client has cleaned up its reporting and gathered good information to make better management and planning decisions, he said.

"It's helpful in that I am able to focus on planning and strategy as opposed to spending time cleaning up books and getting financial information," said Railsback.

The reformatted financial reports act as a dashboard allowing businesses to gauge if something is wrong, he said.

"Businesses want information from their accounting," said Teigen.

Winters said the lion's share of businesses utilize QuickBooks to perform their bookkeeping. Winters said QuickBooks contains a series of sophisticated templates with limited capabilities to prevent mistakes that are "good at providing results to CPAs, but do not show the business process."

Much of the work Winters does is primarily focused on using QuickBooks as well.

Winters currently has six clients, and the company employs one sales associate and two bookkeepers. The original business plan called for 55 clients and 15 bookkeepers by the end of the second year. Overcoming the "latent need" in the market has been an initial hurdle, said Winters.

"Our prospects have this huge need, but they don't know or they don't care," said Winters. "We have to create a sense of awareness."

Aside from direct sales, the company employed a referral model by marketing to banks and accountants to generate interest in the service.

Microsoft introduces Small Business Accounting software

Software giant attempts to build presence in Intuit QuickBooks-dominated market

Small business accounting software is one of the few segments Microsoft doesn't have a dominant presence in, but the company is taking aim with the launch of its new Small Business Accounting software, which debuted on Sept. 7.

The most widely used software by small businesses is Intuit's QuickBooks. According to Intuit, its product accounts for more than 85 percent of U.S. retail sales for small-business accounting software and is used by 3

million businesses.

Microsoft has attempted to draw market share with products such as Microsoft Profit and Microsoft Money Small Business Edition, but its new product takes a more direct aim at the \$600 million small-business accounting market dominated by Intuit. Microsoft said its product is targeted at the 40 million businesses worldwide with fewer than 50 employees.

Microsoft's existing relationship with businesses

through its Office programs and other software may give it a built-in advantage in unseating Intuit.

Intuit will release its 2006 version in about two months. Microsoft's product is expected to run about \$200. Intuit's QuickBooks is available in several forms from about \$200 to \$300.

In 1994, Microsoft reached a deal to purchase Intuit for \$1.5 billion, but the Justice Department objected to the deal on antitrust grounds.