

BUSINESS ADVICE
INSIGHT**LGI has CFOs 'to go'**

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Above, Araceli Trejo Hernandez works on a line that washes, dries and packages microwaveable potatoes. Below, Steve Caruso, executive vice president of Caruso Inc., Steve Lumley, founder and CEO of LGI CFO, and Jim Caruso, president and CEO of Caruso at Caruso's dry storage warehouse.

Part-time finance pros help smaller businesses

BY ANN KOBLENZER
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Ten years ago Caruso Inc. found its balance sheet in the red.

As its customer base consolidated, continuing as a traditional produce wholesaler wasn't going to cut it.

A recommendation from an accountant led family-owned Caruso to Steve Lumley's part-time CFO company. Within a year, Lumley helped turn Caruso's financials from a loss in 2000 to earnings in 2001.

Companies need strong financial management to navigate the current recession, which at the same time is forcing employees to double up on responsibilities in an effort to cut costs. In smaller firms, the role of chief financial officer often falls to a CEO without a CFO's skill set.

Lumley saw a lot of business owners, leaders and entrepreneurs spending their time trying to manage the financial aspects of their business and not having the background or time to effectively be both a chief executive officer and chief financial officer.

Twenty years ago he founded LGI CFO, a CFO outsourcing company serving

**Lumley**

LGI: Company's CFOs step in at firms that need a financial manager, but are too small for a full-timer

FROM PAGE 1

Cincinnati, Dayton and Northern Kentucky that provides permanent, part-time CFOs for small and mid-size businesses. Today he hopes LGI lets CEOs focus on growing their businesses and creating employment opportunities for the region.

"To get out of this recession we have to make it easy for small and mid-size businesses to grow," he said.

LGI serves companies that don't have the need or funds for a full-time CFO, but need someone with the skill set to manage the financial areas of the business. LGI typically serves middle-market, privately held businesses with sales between \$1 million and \$30 million. Lumley said CFOs are different from a controller or accounting manager because they are more strategic than tactical and make things happen while keeping the big picture in mind.

"CFOs look through the windshield," he said. "Controllers and accounting managers use the rearview mirror."

Lumley said CFOs traditionally are only involved in the financial area of a business. But he said an exceptional CFO is involved in all aspects of a company. LGI CFOs examine balance sheets to see where cash may be hiding and make improvements in operations, finance, and sales and marketing. A small improvement in the key factors of a business can lead to a big improvement in the bottom line.

"We want to turn our clients into cash-flow machines," Lumley said.

LGI CFOs spend time at client companies so they can understand the culture and so employees feel comfortable asking questions. Lumley said companies often realize they need the CFO skill set when they are experiencing financial struggles.

Caruso, which has since expanded into a produce storage, distribution and repack company, found Lumley in a time of need. Following significant losses in 1999 and 2000, Lumley took on the financial challenges the small business faced and freed up CEO Jim Caruso and his brother Steve, executive vice president, to do the things they knew how to do. Jim Caruso said the company couldn't afford a full-time CFO, but wanted someone to help manage the cash flow and develop banking relationships.

"I don't think we would be nearly as successful without him," Jim Caruso said.

Lumley helped the company diversify its operations into a distributor that transports and packages vegetables for retail distribution centers.

The Carusos said the recession has squeezed margins, but because of the diversification

Lumley helped begin 10 years ago it is experiencing 22 percent revenue growth so far in 2010.

"When a CFO is in place it is easy to get through the turbulence," Steve Caruso said.

Jim Caruso said Lumley allowed the company to cultivate its ideas into profitable business plans.

"He has made us a lot more confident in our ability to change when change is needed," he said.

Tom Stilgenbauer became the first CFO of Cincinnati Works in 2007. He said his work has provided the nonprofit with more timely monthly financial statements so the president can be more in tune to the balance sheet and cash issues.

"If an expense was going berserk or revenue falling short they didn't know for almost two months, now they get it within a couple of days of the month's end," he said. "I think that has been a big help to the leadership."

In addition to providing in-house financial advising, Lumley said good CFOs also interface with external advisers, such as banks and attorneys.

With credit markets tightening during the recession, banks are more cautious when renewing loans or granting new lines of credit. Lumley said banks want "A-quality" clients. Most companies don't meet that criteria, so they need to have strong relationships with their banks. CFOs can help companies work with banks as a partner.

Lumley suggests companies arrange for banks to tour facilities, providing them with accurate financial information and cultivating relationships.

"Companies need to help banks know them so they're not just a number on paper," he said. "It's easier to say no when you don't know somebody."

CFOs are forward-looking and this can involve advising companies on acquisitions and other decisions that may affect an entire local industry. LGI has clients in a range of industries and has not run into clients who are direct competitors.

But if this was ever to happen, Lumley said his company would handle it objectively and speak with the original client before accepting a direct competitor as a new one.

"We try to build character day by day and integrity should flow out of that," he said. "Staying in business 20 years, you have to keep your reputation in mind."

'We want to turn our clients into cash-flow machines.'

Steve Lumley
LGI CFO founder/CEO