

# NEWSLETTER

MICHIGAN  
**CFO**  
ASSOCIATES

The CFOs for Small-Business

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## U.S. NATIONAL DEBT AS OF:

**January 2023**

**\$31,477,589,825,122**

**January 2022**

**\$23,501,380,134,806**

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### Our CFO'S:

**Todd Rammler**

**Brian Bach**

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**Rick DiBartolomeo**

**Eric Goerke**

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## What's the "Bullet Train" in Your Business?

As we begin another New Year, many of us take time to reset our goals, and reflect on what went right and what went wrong in the year that just closed out. There are many tools & approaches to the annual planning/goal setting process.

A few months ago, I came across a new book by **Annie Duke** simply entitled "**Quit**". It sounded intriguing in an off-putting, curious sort of way. Annie is a former professional poker player and author of the NYT best seller "*Thinking In Bets*", which I read and enjoyed after seeing Annie speak at a conference a few years ago.

So I ordered the new book, wondering if *Quit* might undo the appreciation I have for Annie's previous work. The word *Quit* flies in the face of what many entrepreneurs and other achievers hold very dear to their M.O.; namely **Grit**. **Grit is what makes us successful, overcoming obstacles, persevering in the face of adversity.** And **grit is the opposite of quit.**

The book is fascinating on many levels, but one of the extreme examples from the book involves the California Bullet Train. Approved in 2008, this high-speed rail project was supposed to be completed in 2020 at a cost of \$33B. No part of this train is operational today, and current cost estimates have risen to \$113B with a completion date for the "starter line" of 2030. Yet many close to the project say it will never be completed. In short, this project is the poster child for poor decision making and refusing to face reality. One of many articles on the subject: <https://www.nytimes.com/2022/10/09/us/california-high-speed-rail-politics.html>

While there are many problems with the bullet train, Annie highlights a concept that many of us learn in business school, but in reality is much harder to apply: the relevance of "Sunk Costs" in decisions to continue, or quit.

Sunk costs represent money that has already been spent, and therefore should not be factored into decisions about the future. The money is gone and is irrelevant. What is relevant, is how much money still needs to be spent in order to achieve the objective we're after. But human

psychology makes this difficult. We don't want to feel like we "wasted" those dollars that are already gone. And we don't want to be embarrassed about failing or quitting. Hence the name of Annie's book. So we throw good money after bad, hoping to salvage or reverse the fate of the dollars that are already gone.

While you and I may not be staring at \$113B for a train that goes nowhere, we probably have projects or initiatives that we're applying the same bad decision making process to. For me, it's not probably, it's *definitely*.

We launched an initiative almost two years ago that was a bit of a gamble, but had a very high upside if it worked. Unfortunately, it hasn't

worked. But when I look at how much has been spent, I think "*Well, I don't want to quit NOW. . . we've come all this way, and it would be stupid to quit just before it might actually work.*" But there is little evidence to suggest it's going to work.

The correct way to frame this decision has nothing to do with how much has been spent so far. The correct framing is: How much needs to be spent going forward and what is the probability of success? And if we move forward or continue, what are the "kill criteria" on this project? The point at which we decide (in advance) that it's time to stop?

For me, this brings the sunk cost decision making process home. It takes a concept and makes it real. It demonstrates that my project is not dissimilar from the California Bullet Train decision, albeit with no politics or high-profile PR campaigns.

As you begin 2023, what's the "Bullet Train" in your businesses? Is it time to pull the plug, and Quit?

*"The rail authority said it has accelerated the pace of construction on the starter system, but at the current spending rate of \$1.8 million a day. . . the train could not be completed in this century."*





## Holiday Photo Roundup!



Rick DiBartolomeo clowning around at the Detroit Thanksgiving Parade!



Honing our culinary craft at the Mirepoix Cooking Class!



Co-chefs Brian and Sandy are an unstoppable duo!



Attending EO with Harvard: Inspiring Entrepreneurial Strategy at Harvard Business School!



Todd Rammler welcoming the Michigan CFO family to Mirepoix!



Learning from the best and brightest!

### **WELCOME, New Clients!**

#### **Great Lakes Landscape Design**

[www.greatlakeslandscapedesign.com](http://www.greatlakeslandscapedesign.com)

Award winning custom landscape design build firm in Oak Park, MI

#### **One Step GPS, LLC**

[www.onestepgps.com](http://www.onestepgps.com)

High quality GPS Tracking located in San Fernando, CA

#### **ATEQ**

<https://atequsa.com>

Global Provider of leak and flow testing equipment in Livonia, MI

### **Book Recommendations**

-Annie Duke, *Quit: The Power of Knowing When to Walk Away* <https://tinyurl.com/2k3ekabk>

-Will Guidara, *Unreasonable Hospitality* <https://tinyurl.com/mst9e2s5>

-Oliver Burkeman, *Four Thousand Weeks* <https://tinyurl.com/2p8vue57>

-Malcolm Gladwell, *I Hate the Ivy League* <https://tinyurl.com/2554pdxj>

-Gen. Stanley McChrystal, *Team of Teams* <https://tinyurl.com/m94fj7xz>

-Mike Isaac, *Super Pumped* <https://tinyurl.com/2c955xpy>

-Ray Dalio, *Principles for Dealing with the Changing World Order* <https://tinyurl.com/52zje4vh>



## **Accounting Staff Turnover? How to Respond**

Since COVID turned the world upside down we have seen a lot of accounting staff turnover and transition. In the past, the accounting department has been traditionally an area of relative stability. It was usually a pleasant steady environment providing a service that is needed by most businesses, so people and jobs were generally available.

Once COVID required working from home, accounting staffs had to adapt to working remotely and adjust their systems to accommodate accounting work that was traditionally done in an office. This caused a lot of confusion and chaos with older staff who had a harder time adapting to the new world and some decided to leave. Younger staff, on the other hand, welcomed the flexibility and independence that working from home allowed. Now employers want people to come back to the office and there is resistance. To add to the problem, over the past several years fewer people are pursuing degrees in accounting and looking for jobs in this area.

All these dynamics resulted in a shrinking accounting labor pool with younger work-from-home people realizing they have the flexibility to work remotely for any company. With increased demand, less supply, rising wages and ability to work anywhere this has led to an increase in Accounting turnover.



### **So, how should Owners respond in the event of accounting staff turnover?**

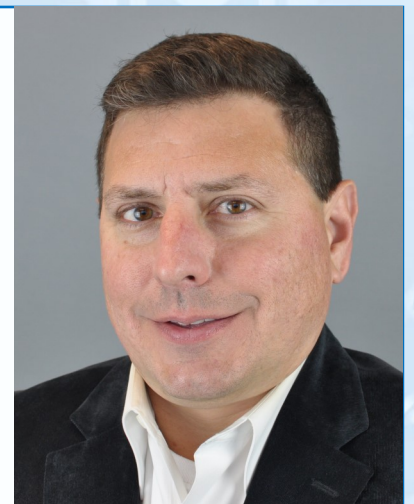
- Before hiring for the same position step back and determine what skill set is needed. If the Controller leaves and 85% of their work was transactional, maybe they can be replaced by an Accounting clerk. Have a clear understanding of the requirements and workload. Knowing how many customer invoices are issued per month, the number of vendor bills posted and paid, and the complexity of the payroll process all impacts the skill level and number of staff needed.
- Respond quickly. In this new environment it will take longer to find someone so putting together an attractive job description and posting quickly will help. This doesn't mean hiring quickly, but the process should be started as soon as possible.
- Hire should be based on attitude and motivation to learn, not all on experience. I've worked with Controllers and VP of Finance who have little or no formal accounting training and are very competent in their roles. Young people are smart and can learn quickly with the right encouragement and direction.
- Be clear in interviews about how new employees will ramp up in the position. If there is little or no training and they have to figure it out as they go, tell them upfront so it's not a surprise. New employees don't like surprises and appreciate having a full understanding before they take on a new position. So, when interviewing be upfront on the work setting, their duties and how it will unfold.

There is a new normal in running and staffing an Accounting department and businesses will need to adjust to attract and retain good employees. Younger people have different workplace priorities and motivations. They are smart and dedicated but have to be encouraged, nurtured and appreciated. In this new world, owners & managers will need to remain vigilant and adjust to changing times.

## **Welcome, Erik Goerke!**

### **CFO and Licensed CPA**

Erik is a results-driven, hands-on CFO and licensed CPA with a mix of both public accounting and private industry experience, specializing in the hospitality and automotive industries. Erik earned his BBA at Michigan State University and went on to earn his Master's Degree in Accounting and Finance from Eastern Michigan University. Welcome, Erik!





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# MICHIGAN CFO ASSOCIATES


The CFOs for Small-Business

## Quote for a New Year :

"For last year's words belong to last year's language  
And next year's words await another voice.  
And to make an end is to make a beginning."  
— T.S. Eliot

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- ✔ Cash Planning & Management

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