

# S5E3: Tom Wadelton

## **SPEAKERS**

Peter Margaritis, Tom Wadelton

### **Peter Margaritis**

Hey, welcome back, everybody. My guest today, Tom Wadelton, and as we are longtime friends of about two weeks. I actually, almost exactly two weeks since we met, and I met Tom at the AICPA digital CPA conference in Nashville, and through a dude named Hugh, and I'm blanking on his last name.

### **Tom Wadelton**

I can't remember Hugh's last name either. He's an Omaha based CPA.

### **Peter Margaritis**

Yeah.

### **Tom Wadelton**

Yes.

### **Peter Margaritis**

Yeah. Who saw me speak at the University of Nebraska, Omaha. You guys are sitting at the table. And you're the only one with an iPhone by the way, if I remember correctly.

### **Tom Wadelton**

I remember giving me a hard time. Yeah.

### **Peter Margaritis**

They were giving you a hard time. And I spoke to Tom while I was there, and after I got to know him I said I would love to have you on my podcast. So first and foremost, thank you for taking time out of your busy, busy schedule the week of Christmas to be on my podcast.

### **Tom Wadelton**

Thanks for the invitation. I'm really looking forward to more conversation with you.

### **Peter Margaritis**

This, this is going to be fun. But I knew it...So you are. You are a virtual CFO?

### **Tom Wadelton**

Correct.

**Peter Margaritis**

And you've been a virtual CFO for four years. Correct?

**Tom Wadelton**

Right. Yes, that's right.

**Peter Margaritis**

So, let's kind of, you know, I... pre-pandemic virtual but even through that, prior to the pandemic, and through the pandemic, what tends to be the biggest challenge that you run into as a virtual CFO when you're working with your clients?

**Tom Wadelton**

And that's a great question. Probably the biggest continual challenge is that you're not with the client day-to-day to know some of the backstory of what things are going on. So, you come in and meet with them. I feel like I get to know things really well. But I do have to rely on their knowledge of their business for what things are going on. It probably makes some of our conversations more interactive though, because if I'm reviewing a financial statement, oftentimes they'll say here's what we're seeing. What is going on here with this extra spending with this particular vendor? And if you are internal, you might have them saying, "Well, you should know you're here every day and see the decisions we make or things like that." That's probably one, and then the other, I think a lot of CPAs probably can align with the time management piece is you have multiple clients. Every single one wants something and there are of course days where there are five or six fires, and being client facing you can never go to one client say, "Hey, this client has something that's more important. Are you okay if I don't treat you as important as this other person?" When, as you know, I worked for a big company before and things were busy, but I always had, usually had one boss that you could go to and say, "Okay, can't get it all done, whatever you've got to negotiate. Here." So, that probably is the other challenge is just managing time, and how you get everything done for the clients.

**Peter Margaritis**

Yeah, time management, juggling clients, even you work for some CPA group, and then they're operating like a public accounting firm, but you're in house as a CFO, helping your clients navigate their business. And of all clients have different attitudes and different thoughts. Do you tend to stay within one type of industry or do you do work across industries?

**Tom Wadelton**

So, it's sort of both. The company has a niche around creative agencies, and it's a little bit more than half of our clients. So, companies that work internet, web presence, digital marketing, search engine optimization, things like that. And their main business model for this group is for the most part, hours billable, times an average rate gets you toward your revenue. So, very similar to many CPA firms and law firms and things like that. So, in that niche, we can then say, "Okay, let me help you plan your revenue. I think you've got the capacity to do this much because of this many hours times this rate." We've got some really nice measures and people will ask me, what do you see across the industry? And I've got enough clients in that that I can do comparisons across that. That's a little bit more than

half my client, and then I do have transportation, manufacturing education. Some that just really don't fit that model that are unique.

**Peter Margaritis**

You do have a lack of a better from an IT background from your previous employer.

**Tom Wadelton**

I do. That's true. Yeah, I started off my undergraduate degree is technology and I started off doing programming and technology. So, it is actually an area that I like, and I couldn't program to save my life today. But I do know some of the terms when they talk about it and the importance of things and that has certainly helped that any client who feels like you sort of know their business. It certainly gets an advantage.

**Peter Margaritis**

So, you understand the foreign language of IT when you're hearing IT from the IT provider.

**Tom Wadelton**

In some cases, in some cases. I do have a client doing government work who just want a contract for all COBOL programming or those who don't know COBOL was built in the 50s, and phased out by most people in the 80s, except for our government. So, now they're hiring these people and talking about these guys for 35 years and I mentioned I used to program COBOL, and their instantly saying, do you want to work for us? You don't want me programming COBOL. So, that's going to be only now they're all in languages that I've heard of, but you know have just barely heard the names of them.

**Peter Margaritis**

So, do you run... so you're working primarily with CEOs of these different organizations?

**Tom Wadelton**

Yes.

**Peter Margaritis**

Do you run into that challenge of the deer in the headlights look or that challenge of telling somebody else I'm going to just give it to me up here. Stay out of the weeds?

**Tom Wadelton**

I do. Yes. Until things go wrong, and then they want to do this deep dive. I'm really far in. Probably what I noticed more often though, is I think the way you have described things. I can review things for a long time, and then people will ask questions, and so they just weren't really understanding some of the basics. You know, somebody will be upset because they don't see a distribution or income statement or something. And so, I'll say, "Hey, we've talked about this. That's something that comes out over here. You won't see it here." But there's some other things that you'll feel like okay, they've got it. You know, I did a great job delivering that last question or like you really didn't understand or I didn't deliver it well enough for you to do that.

**Peter Margaritis**

Right. So, how do you work with these guys? The CEOs and guys, gals, and get them to have a better understanding of what you're trying to come across with in non- accounting lingo or acronyms?

**Tom Wadelton**

Yeah. It's a great question. I think it's probably two main things. In the financial statement review, we spend a fair amount of time on what we call the non-financials. So, with these agencies, we have production metrics, for example, how many hours were billed? What's the, we call it, utilization? What percent were people billable? What was average rate? So, we try to tell the story and could say you can see revenue is down, as you would expect your hours were down, your rate was down. Something where you're saying there's consistency in the story. And then we also talk about taxes, cash, all those elements with it. So, really trying to build a story that comes together as well as you can and I try to frame things and kind of hey, here's what happened for the period that we're looking at in two or three sentences, and then try to support that as we walk through the financials. That's the main one. The other is the more they can be engaged in forecast conversations. The more that it helps when you review actual results because they're looking saying hey, are you expecting to spend more in some of these areas? Recently, November December a client guesses, is that going to be big for you this year? And they'll say no and then we'll do the financial statement. They spent \$50,000, as an example. That could be one where you come back and say, "Hey, here's why we're over, remember we talked about this. You didn't think that you're going to spend." And try to make that connection for them.

**Peter Margaritis**

Describing that, I think the worst thing that becomes even a big challenge for you guys because like you said, you're not there. And if you were physically located at their plant, at their offices, and a number wasn't what you thought it was supposed to be. You could get a chair and go and talk to the head of sales or the head of distribution. Do you still have that capacity? Are you limited by that as a virtual CFO?

**Tom Wadelton**

We're somewhat limited. If there is an internal bookkeeper, we will ask them.

**Peter Margaritis**

Okay.

**Tom Wadelton**

And so, the usual process I have a senior accountant works with me. And so, if we look at things we'll say, "Hey, can you go back and find out if this looks correct." Sometimes it's accounting related things. A really big invoice for software, maybe. And say, "Can you go check and see if maybe this is a year's subscription that we should be doing as a prepay item rather than just a monthly kind of thing? Sometimes it's just in the meeting and that depends on how good my relationship is with the CEO. After a couple years it seems to be pretty good, right? Sort of know when I can get away with just asking them during that meeting. "Hey, what happened in this case?" But of course, it's a little embarrassing if in that answer, you find out something's not correct in the statement, then you realize, well, we

shouldn't be here reviewing your results when at the same time, I'm finding out that this was you know, a big customer deposit that shouldn't even be sitting in your revenue, kind of thing.

**Peter Margaritis**

So, when you first get a client, how long is it sounds like there's about a couple years for them to gain trust? Their trust...gain trust in you, and you and Bill.

**Tom Wadelton**

Yeah, hopefully it's not that long just to gain the trust, but there's definitely that ramp up. Probably a good four or five months for many of them. And I think a lot of people some probably don't trust you until you prove it, and some are pretty trusting until you erode it. We jumped into a pre-intensive onboarding process for six to eight weeks where we're saying at the end of that we're ready to deliver services. So, the main activities are building a really good forecast that you believe in, in revising your chart of accounts if it needs to be so that we can do reporting off of it. And then of course, getting access to whatever we need access. So, through that hopefully, like through the forecast, they're saying, "Hey, this is, this is pretty good. You understand my business well enough that I'm trusting your forecast. " But then usually does take a little bit of time to get through some that they're actually trusting that you've done things correctly.

**Peter Margaritis**

So, I was out on your LinkedIn site, and I noticed, and I apologize if I get this wrong, but I think you'll know what I'm talking about. The Summit CPA group puts out a playbook? Am I right about that?

**Tom Wadelton**

We do. Yes, that's correct.

**Peter Margaritis**

Yeah. Could you talk about that? Is that part of the onboarding process?

**Tom Wadelton**

We use the playbook. So, the playbook that we put out is for other CPA firms that would like to offer virtual CFO services.

**Peter Margaritis**

Oh, that's right. Okay.

**Tom Wadelton**

And so, we have a 15 module course that people can go through, and we tell every single thing that we do and offer. Everyone wants to know about how we do pricing, so we will give them the pricing template. And here's how we manage people in a remote team and all those things. And that's really the playbook that we have.

**Peter Margaritis**

Oh. So, that's, that's another revenue stream for the CPA.

**Tom Wadelton**

It is. Most of it is helping all the people want to continue client advisor service and expanding of helping them do that. And then we have I was just there today, we have a one hour meeting once a week with other CPA firms that can come in and ask questions about how we do things, and we give coaching and guidance around that. So, yes, there's some revenue. Most of it is just sort of expanding our, our reach.

**Peter Margaritis**

And it sounds to me like that part of CPA firm businesses are growing fairly rapidly.

**Tom Wadelton**

Yeah, I think everyone wants to. Everyone, but I should say everyone, many firms know they want to step into being that advisor role. And they look at their existing clients and say, I think there's a need there but making that step to do it can be challenging. And so, that's where we're trying to help them say, here's how I would get to doing that kind of stuff if you're trying to do it.

**Peter Margaritis**

What type of challenges are there for a CPA firm to take on this revenue model? Yeah, I think the biggest initial ones are... staffing is one because they all feel busy. And to then to say can you do more is a big one. There are some technology pieces that if you're going to build a forecast, and you're going to do a good financial reporting, and things like that, you need to have a consistent process for how to do it. I think a lot of it is a maybe a little bit of a fear of action to move. That, you know, that CPAs are careful and they want to be perfect, so going into that first sales meeting and how do I price it and how do I do that is hard. And I know it's hard but often we say just do one and you'll learn so much by just sitting down with a prospective client. A few had said I offered to do it for free. I had this client, Peter, and said I'm trying to expand service. What if I do it free for three months and we'll figure this out and then I'll start charging you? And we said that sounds like a great model. He's one that will help you in sort of knows that he's getting it for free until he go through some initial learning bots that can be a really good strategy for doing that. You're a CPA, but you get your CPA later in life. By the way..

**Tom Wadelton**

I did.

**Peter Margaritis**

...to my to my audience. Tom has figured it out. He spent 20 some odd years with Eli Lilly. Took early retirement and now he's working full time with the Summit CPA Group. And he's double dipping, man. I tell you what. God, I did this wrong.

**Tom Wadelton**

I do have friends over there, but you're retired right? And I said yes, I work harder than I ever did. Probably I'm more stressed, but I'm having so much more fun. I'm learning, you know, Lilly is a huge multi billion dollar company. I learned so much coming in and starting to work with small businesses. That as you can imagine, working at a big company, I was really good at a really small slice. I was in

charge of our Sarbanes Oxley compliance variant. And I enjoyed it, but you know, I didn't pay any attention to how money got in our bank or payroll, anything and then I come work with these small businesses and asked questions and everything felt brand new for the first several months. And I had a huge sort of imposter syndrome and our two owners kept saying, "Remember on the financial side, you know more than they do and we'll get this." And in overtime, you quickly learn things. I used to joke with my wife. So, it was virtual. So, I was meeting with them, like I'm with you, on Zoom. I said if my clients could see what I was Googling during our meeting, they would be shocked that I didn't know anything. There aspects. I'm like, that sounds familiar. So, as I'd answer, I'm like, what is, you know, just terms that seem really basic to do it. So, it was a great learning experience.

**Peter Margaritis**

In terms of their business that they were saying to you.

**Tom Wadelton**

It was. Yes. I remember one specific that someone was going to give her a loan and they said that they want it to be convertible. Do you think that's a good idea? And in my mind, I'm like, I haven't dealt with convertible debt for so long. I'm quickly googling literally what is convertible debt. And luckily Google gives you the three sentences on like, okay, I can at least sound intelligent. But when it hits you for the first time, my first reaction is panic and then forget everything you know, and then you're like, I don't want to look like an idiot doing this. And then you learn to relax and make sure you understand what you're doing. And after a few years, I'm a little bit less concerned that they're going to throw a curveball but I've never... even if they have I'm okay saying help me understand what you're trying to get. Let me to go back and come back with a thoughtful answer.

**Peter Margaritis**

That's a great story. Yeah. And through this, you said you've learned a lot. What is probably the number one thing that most of all that you've gone, "Okay, that's what I learned the most, and that's more in my ability to deliver my service to my client?"

**Tom Wadelton**

Yeah, I think there's an adage in consulting that they will.. I'll totally get this wrong, but your clients will like you better if you just show that you know them, and you're listening to them more than I'm an expert. Let me tell you how much I'm an expert. And so, probably one of the biggest things that has helped me is I'm really good at taking notes. In usually before me, I'll review my notes so that I can keep track of it. Okay, here's what we talked about last time. I'm listening to you. You've talked about this for a long time and just making sure they know it could be things like them telling you early on, "Hey, in 10 years, I'm hoping to sell this company and I want to a house on the beach." Something like that where you're in long term plans or continue to say, "Hey, I know we've talked about this and this is getting you toward that direction that we're doing." I think kind of understanding what they've been talking about and that you're on their side to do that is probably one of the biggest things that's really helped me.

**Peter Margaritis**

Wow. That's, that's solid. I mean, the ability to listen to your client and not speak at them but understand them is huge, and I've been carrying that better for a long time. And that's part of reason why I get so involved in the world of improv, because that's what improvisers do. We listen. We listen more and talk less in order to gain that understanding, and begin that relationship and come at it from a two way street. Not a lecture but by the conversation.

**Tom Wadelton**

Yeah, and I'll admit one reason that it's learning for me is I don't think it's that natural in some cases. So growing up in a corporate world presentations were a really big deal. And you know, people would joke that our company, that the company is run by PowerPoint, things like that. But much of it was true that PowerPoint slides had hundreds of words and pretty much it was a presentation. And you came in having practiced, and it was your thing. So, I come here and do financial statement presentations and it was a similar kind of thing. And some of it, I will admit was probably a little bit defensive that, you know, if I can fill all the words then they can ask questions to show I don't know what I'm talking about. But I was also well prepared. I'm going here, I'm going here, I'm going here. Jody, one of our owners, is good at just hey, what do you want to talk about? I'll go kind of wherever you are, and I'm trying to go more that direction. But also just intention wanting to leave those pauses to say how do you think things when and where else would you like to go? To look in these statements so that I'm meeting your needs. Most of the clients will just sit and listen to the whole thing and not interrupt and say okay, you're not going where I want you to go for this. So, that listening I think is one of the most valuable but also one that I continue to try to do. I just have to keep learning it.

**Peter Margaritis**

But yeah, because we come into that meeting with an agenda. Have things we want to cover.

**Tom Wadelton**

Right.

**Peter Margaritis**

And a lot of times when that curveball comes that goes into different direction, it's like okay, can we... I'm not going to use...the P word has been overuse way too much can we adapt, we adjust to that direction. And kind of explore where they're going because you never know where that conversation will lead. And you know what, maybe by the end of the conversation, there's a few things on your, things that you want to talk about. The time has run out, but that's okay. You've learned a lot more about an insight that that will serve you well down the road.

**Tom Wadelton**

Right, exactly. And just being able to have them describe what they think, and they'll feel like they've got so much more out of that conversation. So, that's probably one of the biggest, and it does take patience. You know, you and I talked about being busy at the beginning. Sometimes in the conversation feels like it's waning early, it's easy to think, oh good. If we get done early, then I can jump back to a long to do list of things to do. So, there always feels like this tension of saying maybe the time



is better spent just really trying to say okay, how are things looking? Anything we should be doing? Things where you really want to focus on them.

**Peter Margaritis**

Yeah, kind of feel throw that To-Do List away for that period of time while... it does wait in the back of our head. Right.

**Tom Wadelton**

And that way in the back of your head, also creates a distraction in our mind, which reduces our ability to listen. So in listening, we also may be fully present and a lot of times CPAs are so gosh darn busy. Being able to listen and being present is a huge challenge. Absolutely, absolutely. What did you say Tom? I didn't quite get you! I'm just kidding. Yeah, I think you're right. I think he's going to continually work at doing really well with. Exactly, exactly.

**Peter Margaritis**

As we as we begin to wrap up, what is one thing, maybe we've already said it is the one thing that you would inform my audience or suggest to my audience that they should work on if they want to be more client facing or be a better at client facing situations. What's the one thing they should really go out and master?

**Tom Wadelton**

That's a really good question. I think one of the skills missing currently if someone says I want to move from maybe doing tax returns, or compilations where it's a.. I touch the client once a year, twice a year, three times a year, and I think there's opportunity to do more than that. So, I want to advise more. I think one of the skills that people could really build is the ability to do forecasting. Right, just move and we've heard it in accounting for a long time. Clients don't really want to come having you explain the history. They want someone to help them sort of go where they want to go. And I think what we have found is we've talked about some of the forecasting tools when we have these meeting with accountants and I think that there's a gap and a skill that people just don't really know how to do that forecasting. And it includes very much listening to help me understand your business well enough. What really drives revenue? Where are you going? And when you describe growth? What does that mean? How do I break that down to say is it a certain number of client touches? A certain number of increasing marketing? What is it that's going to help you get toward that? And I think if someone was really good at that, you can imagine going to a client saying, "How about together I'm going to lead? We're going to get a map of where you want to go. And then I'm going to walk with you there. Because of course you're not going to take that exact route and as you get off track where you keep adjusting that all the way along." And I think that's where our clients when we do it, well find the most value for our services. They're looking at next year saying, I got a good picture and I can even look at cash flow, lines of credit, how much money I can take out of the business, all the things when a forecast is good. You've got this picture saying here's what we have to do. And if it's done really well, when I come and say okay, we didn't meet our revenue targets. I should be able to look back and say it's because of this. You thought you could get 5000 per month per client and it's like 3000, or you thought you'd get X number of clients, it's less. Back in the terms that they understand versus just the dollars. So, I'd come back to saying that forecasting skill.

**Peter Margaritis**

That is great advice and well done. Tom, I can't thank you enough for taking time. I know that you're trying to get ready for vacation. Your clients to try to get ready for vacation, you've probably lined up. But first and foremost, I hope you and your family have a Merry Christmas and a Happy New Year. And I look forward to our paths crossing in 2022.

**Tom Wadelton**

Me too. Thank you, Peter. This was very enjoyable, Happy Holidays to you too. Thank you.

**Peter Margaritis**

I want to thank Tom for sharing his thoughts about the challenges that organizations face and the solutions Virtual CFOs can bring to their clients. And remember, there are people who prefer to say yes, and there are people who prefer to say no. Those who say yes, are rewarded by the adventures that they have. And those who say no, are rewarded by the safety they attain. So, be a yes person. Thank you.