

S5E5: Jody Grunden

SPEAKERS

Jody Grunden, Peter Margaritis

Peter Margaritis

Hey, welcome back, everybody. My guest today is Jody Grunden, aka Nostradamus of the Accounting Profession. And I say that tongue in cheek, but I think throughout this interview, you will see what type of foresight and vision this gentleman has, and what he's done to position his organization in a way to compete in the accounting profession in a very unique way. First and foremost, Jody, thank you for taking time out of your busy schedule to spend some time with me on the podcast.

Jody Grunden

Yeah, thanks, Peter. This is going to be fun.

Peter Margaritis

I, God, now he set that bar. Now I gotta make it fun. Okay, here we go. So, I'll ask this first question. What was it? What was going on in your life at that time, where you sit back and say, "You know what, I want to do something different. I want to start my own Summit CPA firm." So, what was going on at a time?

Jody Grunden

Yeah, that's a great question. So, I started out in public accounting with two large regional accounting firms, and both are great firms. Loved working with them. The only problem was it was taking a lot of time. So, I spent a ton of time during busy season 50-60, 70-80 hours a week in some cases, and it wasn't something that I wanted to do long term. It was one of those things every December came around, I started getting, you know, throwing up. I started getting physically sick because it was like just thinking of what was going to happen these next three, four months. Because it really was pretty tough. And so I thought, you know, hey, this isn't working out. I decided to get out of the public accounting. Didn't like it. Wasn't for me. And then I worked in the corporate world. So, I worked in there for another three years. And at first it was great, you know, exciting, something new. After a while became Groundhog Day. You know, it's one of those things. Doing the same thing over and over and over again. I streamlined my position where I was working 50 hours a week when I first started to maybe 25 hours a week because I automated as much as I could. You know, took a 45-50 hour week job down to something like that. I was running at 250... I wasn't running it, but I was the tax person/cash management person for a \$250 million manufacturing company. So, I was, I had a lot of things going on. Right? And so, at that point, I was like, well, this is so boring. You know, it was one of those things that I can't do this forever. I feel like I'm taking advantage of the company because I'm not putting all that effort, and all that kind of stuff. I decided, you know, I'm going to venture out on my own and at that time, a local, actually regional firm, smaller, smaller regional firm approached me saying, "Would you like to run this office for us?" Like "Yeah, sure, I can do that." And when I broke it to the manufacturing

company, they're like, you know, "Hey, only way you're gonna do that is if you take us with you, at least on the tax side." Because they were so big. They had to require audits. We could do the audit. And I'm like, that's great. And at that time, it was like a \$35,000 tax return and, you know, back then in 2000, you know, 2001-ish, that was a lot of money, and it still is today. But that was a lot of money. And I was like, Okay, this is something that at least I've got something going. And short story on the regional firm. It just wasn't me. It wasn't a good fit. And so, I thought, you know, hey, I'm going to venture out on my own and start my own practice. And, you know, with that it was one of those deals where I, I wanted to make sure that I did things differently than what I learned from, you know, the other CPA firm and when I worked for corporate. The first thing was I was gonna dress down. I was gonna dress like a regular person dresses, not in a suit and tie. Back then, all the accounts had suspenders. I was guilty of it. I've got still a closet full of ties I haven't worn in years. But with that, you know, suit and tie stuff. You know, we're going to dress down. We're gonna act like the normal person or normal client. You know, maybe Dockers and Polo or something like that. And then I also said, you know, hey, no one on our team is going to work more than 40 hours a week. So, we got to figure a way to do this because I... that was the reason I left public County was because of the overwork, you know, initially. And with that, we got to figure that out, and that was something we had there. And then the other thing was, we didn't want to work on an hourly rate. So, I went and said, "Hey, can we do things differently where we're not billing people by the traditional accounting way of doing thing, which is hourly? And back then, that's all it was. You know, there wasn't... No firms we knew of at that point, I'm sure there probably were, but nothing that we knew of that was doing things differently in all three aspects. And so, that was our tall task ahead of us. You know, it was just myself, and I hired my now partner. I hired him right out of college. So, just the two of us when we first started. So, you can imagine how that all worked. I, I bootstrap the entire thing. I didn't have a huge savings account. I basically, I'd never tell anybody to do this. But I basically started a business on credit cards. You know, it was something that only way I could get cash and at that... way back then, cash was pretty easy to get from credit cards. And that's kind of how we started. It took about two years for me to get a salary. You know, with that because you're thinking all the extra effort you're putting in and trying to develop something. So, it wasn't something that we just came in and say hey, we're going to change the way people think about accounting and boom, it's going to happen. It was a really trial and error thing, you know. And we started off right away and of course, Adam and I are working a ton of hours because, you know, that's just us. And it's like, well, how are we going to figure this out? And so, we thought, you know, hey, for the tax clients that we had, let's go ahead and change those and make those on a monthly client. And we thought how because if we did that we met with a monthly fix all their issues and accounting, then at the end of the year of their tax should be really simple and I hope that kind of helps our, you know, lowers the tax, you know, what we're going to do during the tax season. And we did that. Clients loved it. They loved talking to us on a regular basis. It was kind of been a monthly meeting set up. A lot of times we went to the clients. Sometimes they came to the office. Sometimes you just did over the phone but not frequently. And you know, with that the clients asked for more. And it was like, Okay, that's interesting. They want to know more. Now that they had us, they wanted to know, how does that impact going forward? And so, we thought, you know, hey, they really are looking for the... they're not looking for the financial statements. You know, because we never... in a corporate world, I got those all the time. We just put them in a drawer and never looked at it again. But they want and that's kind of the same thing with them. They didn't know how to read it anyway. So, I mean, so just producing I've given to him was a really big help, but they wanted to know how we can take that information, right? And how we can kind of go forward?

And not just go forward on the revenue and the income side which is kind of nice for what tax planning, but they want to know what that's going to impact for cash. You know, are they going to be short in cash November or here in January? You know, if I hire two employees, how's that going to impact things? And that's what they really want to know. And so with that, we started creating meeting cadences. You know, like the forecasting meeting, which we met with them to go through all that information from. And again, they ask for more and more and more. And we're like, well, what, you know, what else do you want us to do for you? And they're like, but hey, can you meet with us more weekly on our short term cash, and we're talking long term cash. What about our short term cash? I'm like, yeah, we can do that. And so, we started creating, you know, weekly cadences with weekly meetings and stuff. Well, that was kind of solving the issue of hey, you know, hey, we're and changed the way people think about accounting and we're actually gonna, you know, get rid of the hourly billing, because we right away we went to flat fee billing. And, you know, with that, we went the flat fee billing and the reason we did that, it was because the hourly thing, you know, we tried it, you know, even though that we said we're not going to do it, we tried it anyways. And that seemed like all of our conversation, we talked about our bill, you know. Why do you charge for this quarter of an hour? You know, that kind of stuff. It was like geez, I don't want to talk about this information. I want to talk about their, you know, their company, and so we decided to do the flat fee thing, which almost put us out of business. I'll get to that here in a second. But what the flat fee thing allowed us to do is allowed us not to be the bank because remember, we bootstrapped the company. I didn't have a big huge... I couldn't afford to be the bank, you know, that is big accounts receivable. So, we started to do is we started creating a monthly ACH. Where we were just simply taking their money out of their account every single month, or every single month, you know, once a month, and, you know, clients loved it. You know, they're like, Oh, this is really great. I don't You don't have to send an invoice. I don't have to worry about paying it. You can just zap my account, and that was great. We started doing that in about 2003-2004. And with that, you know, but we thought, why are we doing this monthly? Why don't we just do this weekly? We're meeting with clients weekly anyways, for a lot of our engagements. And, you know, so we said, you know, let's do it. And so we started doing it weekly. So every new client we had, it was a weekly ACH on Monday. And, you know, with that, it was pretty cool. Because then we get rid of the hourly billing completely. We got rid of the administrative hassles, sending invoices to clients, following up on them, all that kind of jazz. We didn't have to do that. And we created what we call subscription based billing model. And that was really super cool. And so now, clients, you know, every Monday they get...they don't get an invoice, they just get the money zapped out of their account. And we created our program in a way that hey, you know what, there's no long one year contract, they have to stay with us or a five year contract or six months. It was a week by week, you know. And we thought, you know, hey, the risk was, you know, we might have people leaving. You know, what we're going to do there? And we thought, you know what? The risk is, if we're not doing a good enough job, they shouldn't have to pay for it anyways. And so, we took that attitude from the very beginning and created that subscription based model, which was really cool. clients loved it. And it was just, you know, it was something that was completely new.

Peter Margaritis

So, I'm right about my Nostradamus comment because fixed fee back in early 2000, and subscription based model back in early 2000. Now, let's put the trilogy here together, guys. Ten years later, you went virtual.

Jody Grunden

Yeah.

Peter Margaritis

And it's more of a virtual CFO type of organization, versus a traditional firm organization.

Jody Grunden

Yep. Yeah. So, in 2004 is when we actually decided, hey, we're going to really focus on this service and this service only. And that was the virtual CFO side. So, we kind of priced it, and I kind of mentioned about pricing. We did a fixed fee pricing for virtual CFO services. It was something that we coined the name, and we didn't, there's probably people using the way before us, but there wasn't anybody in Google using the name. And so, that's how we actually got on the first page of Google. So, if you Google us virtual CFO services, we pop up really anywhere the United States because we were one of the first to do that. And with that, you know, what did that mean? For a lot of people, no one knew what it meant because no one was searching for it back then. And now if you look on most accounting firms website, you see virtual CFO services of some sort. You know, what does that mean to them? But anyways, we decided the virtual CFO. And so, over probably the next probably eight years, nine years, whatever that was, we were getting no traction at all. You know, we'd pick up maybe three clients a year, four clients a year, you know, that type of thing. And then we picked up a client out of Rhode Island. It was kind of interesting, because that was really our truly only client that was not near Fort Wayne, Indiana, where we could actually go to their place of business. And there was a company called Lolabot. They're a fully remote company. They were one of the very first remote companies in the world, and they were a creative agency. Meaning they did huge websites for you know, Harvard, you know, big, big huge companies. And with that, you know, they called us up and they said, you know, hey, we love your website. It's really cool. It's a little different than normal CPA firms are. Would you be interested in servicing us or being our CFO? I'm like, yeah, sure where you guys at? And they're like Rhode Island. I'm like, oh, look at that's kind of cool. And they're like, Well, hey, the key is, would you have to come out and visit us then? I'm like, so then it's like, Okay, now the big question. Why? Do you want me to visit you? They're like, no, not really. I go, of course, I don't have to visit you. And so, that's kind of how it started. So, we started doing the remote work from there. And you know, with it, you know, it's kind of neat because they're fully remote company, and way before everyone's time. And we thought, you know, and this is kind of a cool concept. So, here we're providing virtual CFO services. We finally figured out how to price it right, which is nice. It took us about 8-9 years to figure that out, which again, about put us out of business but with that we figured it out finally. And now, we're working with a remote company, we're like hey, this sounds kind of cool. I like this idea of remote company. And there was no other CPA firm doing it. No other financial firm for that matter doing it. We thought you know, hey, let's let's do this remote thing. This would be kind of cool because we're starting to grow, you know. We found our growth here. We're starting to grow and what better to grow and you've got the whole United States or the whole world to hire people, because it was really hard for us to attract people to come to Fort Wayne, Indiana. And so, with that was kind of cool. And so, we thought, you know, hey, let's do it. And I met with everybody. At that time we had a brick and mortar office. This is about 2013-14. And, you know, they're like, you'll really start with a joke. And the joke was, you know, hey, hey, guys, we're gonna go fully remote. And it was like pin drop, they're waiting for

the, you know, the punch line. I'm like, No, seriously, you know, why can't we do this? You know, and like any other accounting firm would do they all push back? No, like, oh, there's no way we could do this. It would never work. And they gave me every excuse in the world. I'm like, well, why is this company working out so well? And how can we serve as clients remotely but not work remote ourselves? It doesn't make any sense. And I finally gave up, you know, because they're like, no, they can't do it. Even my partner's like, Nope, you can't do it. And I'm like, Okay, well, let's go and remodel the office. We'll remodel the office and we'll make this really cool. I don't want to lose my entire team. And so, I kicked everybody out for six weeks, remodeled the office, put TVs in their offices, made the cubes bigger. It was really cool. I mean, it was really a state of the art type office spent over 100 grand at that time. And asked everybody to come back in. I was pretty excited about the grand opening. I hadn't even got the sign up yet. And it was like one by one. Everybody's like, you know, hey, I kind of like working from home. Do you mind if we do this permanently? And I'm like, sure, and then after everybody did but like maybe four or five people is like, Oh, you gotta be kidding me here. So, I built this building. Everybody decided to go remote, because they figured out how to figure it out. Right? You know, all their...they figured just like the pandemic fast for the pandemic. Nobody wanted to go remote because we talk all over the place about how great it is. Everybody gave their excuses. Oh, and never worked for us. Nobody would want to do it. Blah blah blah blah blah blah. And, you know, they all came back with the same thing. They love it. And so I'm like, Oh, perfect. I spent 100 grand. I'm cool with that. And now let's go ahead and hire only outside of Fort Wayne, Indiana because we're going to make this a permanent thing where we can go back. And with that, we did it. We start hiring outside of Fort Wayne. And it just, it was awesome. It's a great time. And at the same time, we found our vertical because that creative agency was so cool that we really found our niche that we really wanted to work in. So, we focus on that niche and blew things up. You know, instead of picking up four a year, we're picking up 11 in the first month. It was like oh my gosh, this is unreal. And which feels great because we just went remote. So now, we've got the world to hire from. And so, it was just like a really cool dynamic, and it was like it just spun really quickly to where right now. We grew from zero in sales back and you know, the back in 2002. We first started to we'll do a little over \$9 million this year and \$11 million in 2022. So, it just continuous growth and the subscription billing model enabled that growth. The fact that we're in a vertical enabled that growth, and then also the fact that we're fully remote and have been since 2013-14 really helped that too. So yeah, so you're kind of right with that Nostradamus thing. Kind of that's a cool compliment for sure. No, with that, I wish I could say planned it all back in 2002. But it kind of evolved with the idea of hey, let's just take some risks and do things that no other firm has ever done.

Peter Margaritis

The thing about taking risks, that's something that accountants normally don't do and you're very, you're a risk taker. And you fail at times, but then again, you have the successes. And in thinking about this as begin to wrap things up, is so you're hiring all these CFOs and virtually and around the country. What were the biggest challenges that your CFOs have when working with the client virtually?

Jody Grunden

Yeah, great question. I think the virtual thing I don't think there's any issues there at all. I don't really think that any challenges virtually versus being in person.

Peter Margaritis

Okay.

Jody Grunden

I don't there's...we really don't see any, any kind of glitches or barriers. The nice thing about is if they have to miss meetings or late for meetings, it's not it doesn't rearrange somebody's entire schedule, you know, right? It just bumps the Zoom meeting back for 15 minutes, not a big deal. So, there's really not a huge thing there. But what I would say is the type of person that we had to look for, to be a virtual CFO is completely different than the type of person that we will look for to be an accountant. Accountants think and act completely different, very risk adverse, you know. They're very to the books. You know, head down, grinding things out. And so, we had to look for personalities that were that kind of fit outside that mold, you know, which it's very difficult to find. So, you have to look for the person that's, that's willing to take the risk. The person that can communicate really well people. The person that can read people. Has a very high EQI, high emotional intelligence. You know, somebody that can really kind of dense, you're in the conversation, help them solve their own problems. And so, that's a unique individual. So, we had to change the way that we hired people because we were trying to throw accountants in that position and it just wasn't working. It wasn't working for them or for the client. For them, because they felt so uncomfortable. They felt out of out of their own place. Whereas somebody that has that EQI and that the different type of personality, it blended perfectly with them. And so, you know, we weren't looking for necessarily the, you know, the stereotypic gray hair, white person, you know, type of thing. We were looking for somebody just with soft skills, somebody that can really communicate. And so, our CFOs became people with maybe six, seven years of experience right out of college, six, seven years out of college, to those that had, you know, 20 plus hours. The biggest thing the client wanted to do is we had to do all the programming internally, to be able to help that client, help that CFO and educate them on how to communicate, what to communicate, what are messages and they from there on took it took, you know, took it to, you know, really, really developed it.

Peter Margaritis

Remember, Tom Wadelton is employee and works for Summit CPA Group. And he was talking about working with the client and being able to have these conversations and stuff. And I think what you've done is you've done something very creative. And yes, Nostradamus is the ability to see that, dream it, and then have it come true. It's got to be so fulfilling. And when I mentioned you guys were talking to me, your business is exploding, which is awesome. You're first in the market with you doing this. And I mean, you and your team deserve a lot of kudos for what you have built and continue to build out. And I, if...Oh, by the way, if you haven't, since you are Nostradamus, can you give me the lottery numbers on Mega Millions for....?

Jody Grunden

I've already won it. Sorry, I don't want to share.

Peter Margaritis

But now there's no more cashflow issues ever at this company. So, if you could go back to the very beginning, and know what you know now, what would you do differently?

Jody Grunden

The number one thing I would do differently is price my product completely differently. You know, I was very afraid that, Pete, because of such a different service, such a different thing. I was afraid people wouldn't pay for it. And what I found is that it took me eight years to figure out how that people actually will pay for it. And you can do this profitably. You know, our average client way back when was like maybe \$10,000. A client were like jumping up high five each other like, hey, we just picked up a \$10,000 client. You know, over the years that's grown, and we've realized, you know, hey, we've got to be profitable at this thing. We've got to be and you know, with that, in our average clients close to \$70,000, a client. We pick up four of those clients each month, not a year, a month, and our closing ratio is about 40%. So, we've, we've kind of made it so that, you know, hey, the service is in such high demand, and it is for everybody out there that's in the accounting professional who really wants to do this. The average order shouldn't be \$10-15-20,000. You're really doing yourself a disservice, and it's gonna be really hard to actually manage that. Because like for ours, with a \$9 million company, you would think we'd get tons of clients, and we don't we have 150 clients right now. \$9 million company, you can kind of get back into the math there. I would rather work that company than a \$6 million company with 700-800 clients. You know, that to me is a total disaster, and not something that I feel I'd be able to services clients well. And so, the key is pricing it right so that you can pay your employees well, so you have happy employees. So, the customers getting satisfaction and you've got a solid, solid base to give your customers. And it took us a long time to figure that out. We didn't figure it out overnight. It took us a lot of trial and error. Took us a lot of feedback from clients. And so, we really listened to our employees, our clients, and really kind of developed things to where it is now. You know, it'd be nice to have some of those great employees that we had back in the, you know, the early stages there now because the company is completely different from what we learned back then. It's because we finally figured out a price the product, and pricing is really the key.

Peter Margaritis

Jody, I can't thank you enough for spending time here. This has been very interesting. How can people find you?

Jody Grunden

If they want to find me, they can either drop me an email if they like it's Jody@SummitCPA.net or they can just pop on the website, SummitCPA.net and they can find this either way.

Peter Margaritis

Cool. Well, thank you so very much, and I look forward to more conversations with you because I'm intrigued by your Nostradamus skills. And I think next time I have you back I want to say let's look at the accounting profession, and let's vision out 5-7-10 years. I'd love to get your ideas and thoughts on that.

Jody Grunden

Oh, I'd love to share with you.

Peter Margaritis

I would like to thank Jody, aka Nostradamus, for sharing his journey and creating the accounting practice for the future. Really amazing. His vision, what he saw, what he created. And after our interview was over, and we talked a little bit about all the stumbles that he had, all the failures that he had in order to get to this point. Just remember when creating something new, when doing something innovative, we are going to fail. We are going to stumble, but we get backed up. We keep moving forward and we just figure it out. And I'm using this quote throughout this entire year I believe unless something happens with Jody epitomizes this quote. "There are people who prefer to say yes, and then people who prefer to say no, those who say yes are rewarded by the adventures they have, and those who say no rewarded by the safety they obtained." Be a yes person. Thank you for listening