

S5E11: Courtney DeRonde

SPEAKERS

Courtney DeRonde, Peter Margaritis

Peter Margaritis

Hey, welcome back, everybody. My guest, this will be an interesting conversation. I'm looking forward to it. And my guest today is Courtney DeRonde. And Courtney, first and foremost, thank you for taking time. You're a CPA and we're recording this first part of February. So, thank you so very much for taking time out of your busy schedule to spend on my podcast.

Courtney DeRonde

It's my pleasure, Peter, thank you for having me.

Peter Margaritis

So let's get right to it. First question I have for you. We spend some time beforehand kind of talking and get to know each other. But what are the three questions successful business owners ask that unsuccessful ones don't. I'm really curious about this question.

Courtney DeRonde

Okay, so, one of the three questions is how does my business really make money? The second one is how does cash flow through my business? And the third one is what is the best way to leverage my time talents and unique abilities in this business?

Peter Margaritis

Interesting. So, what are the unsuccessful ones doing? I'm gonna come back to these three, but the unsuccessful ones? What questions.... So, they don't ask these questions, but what's that mindset?

Courtney DeRonde

Yeah, so really the, on the first one, how does my business make money? If you're not asking that question, you are assuming that what's in your head for your cost structure and your margins, on your products and services are high, right? That they're good, they're strong. They're what you have in your head. Like what they were maybe two years ago, three years ago, five years ago and you've kind of for most of the time people have lost touch with the actual costs and profitability of their business. Because as businesses grow and scale, you get more people, more processes, more activity involved that you're not directly involved with anymore. And so, the mindset shift is, I can't keep all this in my head anymore. So, I really have to look at good information that tells me where my business is really making money. And the products that I think is so profitable, might not be as profitable, as it once was, or what I think it is.

Peter Margaritis

Completely understand it. And that's a cash flow one for me because I think it's an interesting one business owner trying to understand what the true cash flow position is. Just not I've got money in my checking account.

Courtney DeRonde

Right? Yeah. So, and that's perfect segue into like, the mindset shift is like so if you're thinking about how much money do I have? That's, that's what most people think about. How much money do I have? And the shift is, how much money is flowing in and out over the coming weeks. And it's a shift to where am I...from where am I today? It's a shift to what is flowing in and out over the next few weeks. Continuously looking that at that as like a forecast or projection, so that you can eliminate surprises. Because most financial surprises are not usually positive. And so, you're just trying to shift your mindset I'm looking at what do I have today? Okay, looks good. To what is flowing in and out over the next few weeks, so that you can be prepared and take action if things don't look good a few weeks down the road, not just look at where you stand today.

Peter Margaritis

So, does your firm focus on smaller or middle market types of companies?

Courtney DeRonde

Yes, small, medium-sized privately owned businesses.

Peter Margaritis

So, thinking about the small, medium sized business, the CEO a lot of times doesn't have the financial acumen per se that maybe a CFO does.

Courtney DeRonde

Right.

Peter Margaritis

So, when you're having these conversations with your clients, do you ever get the deer in the headlights look for them because they are... what's going on...what's happening here? I have no idea what you're saying and you're smiling.

Courtney DeRonde

You know, I think that our approach is very educational. So, we consider that our clients for the most part, this isn't their, this isn't their highest leverage use of their gifts and abilities. They are brilliant in other things; operations, sales, visioning, you know, whatever. And so, it's our job to help them understand at a high level, not at the level of which they need to do it themselves, but at a high level, why any of this matters. And so, our approach is very much from an educational teaching standpoint, to really empower our clients to understand and use the information, and to take the insights and perspectives that we give them to make decisions. And I think that that's a mindset shift for a professional. Because a lot of times as financial professionals CPAs, we think that we have to know all the technical answers, and that's what kind of fills us up is like oh, well, we know this stuff, and we have

all the answers and we're so smart. It doesn't nobody cares about all that technical stuff, unless they understand why it matters to them. And so, shifting that mindset even for us as client service providers and professionals that if this doesn't help them achieve what they're trying to achieve, they don't really care. So, you better get into the position of like, why does this make any difference to them in their business? What's the value to them in this?

Peter Margaritis

I've got goosebumps. I seriously, again, you said, we have more educational? And I'm going... I've been saying that for years. I mean, your approach is just spot on what a financial professional should be providing to their clients. Decision making, but if they can't understand us, well, we'll just hit them without a technical knowledge. They just tune out. When we're there teaching, oh, that's just brilliant. But having that mindset, and it's, it's...one would think there'd be more of you out there. But you guys are a rare breed. Because I interact with a lot of CPAs. And actually, I stepped into the role of virtual CFO, because I'm translating between a friend, client of mine, and their CPA firm. And the firm client brilliant at what she does, but doesn't know accounting. They're brilliant, knowing accounting, but they can't put it in a language. They can't teach. And let's say why. So, I could stand up, give you a big standing ovation for that approach. Is this something that the firm has always done? Or is this something recent?

Courtney DeRonde

Yeah, I'd say I mean, we've always had some of that more consultative type of approach. But definitely, in the last five or so years, we, as a firm, we implemented ELS as a framework for running our business entrepreneur operating system, and is really in preparation for our Managing Partner, or I'm sorry, our Founding Partner is retiring, and really the next generation of leadership, myself and a couple of other younger partners, looking at, okay, who do we want to become? We know who've been. We've been around our firm now, today, we've been around for 46 years. So, a lot of history, a lot of success, but that what we've done before isn't gonna necessarily be irrelevant, or even what we want into the future. And so, when we looked at our opportunities, and how we wanted our firm to be the vision for our firm, that was one of the things that we really focused on is the difference that it makes when you fill the gap. For small and medium sized business owners, you fill the gap of knowledge and understanding. You take financial data, and decision making and insert analysis and perspective and relevancy. And most of our clients that we've been serving, say, maybe we're doing an annual audit, annual tax work. They didn't have a CFO. They didn't have a controller, maybe have a bookkeeper, maybe they're doing themselves. And that was the gap that we saw that we could start to fill that by helping them get access to that kind of thinking. But, from like a fractional share, you know, you don't have to hire your own CFO, but you need somebody thinking about this stuff and working with you all throughout the year. And once we made that shift, and started bringing in new clients under that model, where we don't take anybody that's just looking for tax return prep, you know, anymore. It was amazing to see that that's what business owners want. They just didn't know there's somebody out there that would do that. And so, it became a mindset shift for us around how do we approach when they come to us and say they're looking for a new CPA to do their tax return. But we don't just say, "Okay." We say, "Tell me about your business. Tell me about your challenges. Tell me about what's holding you back. Tell me about all these problems." And then we share how we can help, because they aren't coming in, like, to your point, there aren't a lot of other CPA firms out there doing this. So, they aren't coming in expecting us to

solve issues around processes and people and profitability and all that. So yeah, lots of mindset shifts around that.

Peter Margaritis

Wow, that is awesome. And the third one is, so we have to make money, cash flow. And about the time and talents.

Courtney DeRonde

So, this is about, like, what's the best, highest leverage use of your time and talents? So, because this is I think where we run into, especially in business owners that have been doing it themselves, have been doing the accounting or bookkeeping themselves, is that they think they can't afford to hire an accountant or a professional or, or even if they've already got a bookkeeper, they don't think they can afford a CFO. And so, they're doing some of these things themselves, or it's not happening. And you really need to think about, what is it costing your business for you to do it? Because your business is paying for it to be done. It's just paying you to do it, and if you could make more sales, or innovate, and create new products, or recruit more people, or whatever else it is, that's your gift, that would make your business so much more money. And you would also then have good information, make decisions and know how you make your money and forecast your cash flow and all that stuff. So, it's really about understanding what is your way that you uniquely contribute to your business, and most of the time, it's not going to be in finance and accounting. And a lot of the time, it's not going to be where you're spending most of your time. And then you have to get into some of the other operational changes of delegation and process improvement and you know, can go on and on from there.

Peter Margaritis

Wow, that's...people ask me, since you're a CPA, don't you do your own books? I went, No! And they go, What do you mean no? I said, No, I don't do the technical side. I don't do the technical kind. I'd rather pay 10% of my business to have... hire an accounting firm to do that for me, because my job as an entrepreneur is to find new opportunities and take care of my existing clients. That's my responsibility, and create a culture. Not sit and try to save \$15-20, \$100, \$200, \$300, by doing my own accounting. That's a...Yeah, I know how to do it, but that doesn't make me money. How do I...how can I generate more revenue? And that was the mindset I had immediately, when I started my business, 11-12 years ago. But I, I can't believe there's people out there who want to do both. But I also think with that mind....when I ask people, if you go back then from what you know now, what would you do differently? And then some degree, they say that, it's like, you know, I probably held on to things too closely. I should let things go. So, this has been this has been fascinating. And on your one sheet that you sent, there is one question that also I was very interested in asking you. And it's why don't you need to have the best product on the market to become hugely profitable? I went, "What?"

Courtney DeRonde

Yeah, so the answer is because your product needs to be profitable. It doesn't have to be the best. So, a lot of times people focus on, I have to have the best service or product. And they a lot of times won't even launch anything, until they feel like they've got it the best. And really what you need to be focused on is the mix of something that you can do profitably and something that people need, and want, right? Understanding your customers and your clients, their needs and their wants, and creating a solution for

their problem. And being able to deliver it in a profitable way. Doesn't have to be the best at delivering. It has to be profitable. And once you get something out there, you can tweak it and improve it and make it better and better and better. But if you never get it out there, or you have it out there and it's not profitable, then you're not winning, and some people don't even have the information to answer that question of is this profitable? The assumption is that it is, but they a lot of times don't have the information to actually know that.

Peter Margaritis

Why do I need the information? It's all in my head. I think we're close to wrapping up in a few minutes. But I think what, what goes to the point that they don't really understand the cost structure of the products and services?

Courtney DeRonde

Yes.

Peter Margaritis

And they're...and how do they constitute time. I remember somebody asked me for a bid to do like a one hour presentation, and I gave him that number. He said, "You want that for one hour?" I went, "No, no, I want that for one hour plus the 30 years behind in the work and stuff to get me to this point." But a lot of times, we just give it away. And why do we do that?

Courtney DeRonde

Yeah, yeah, it's, I agree. I think it's a, it's just a lack of clarity around what all goes into the cost of this? And what is the value. So, the cost, you know, that's your floor, what's the value to the to the person receiving it? You know, that doesn't have to be right down there with your cost. That can be, you know, even more margin above it. But a lot of times, like you said, people just don't have an accurate information in their head. Or they're not thinking about all the indirect overhead costs of running their business that have to be covered through these products. And that's not because, you know, they're idiots. It's because no one's helping them understand how all of this information flows into this. So, pricing is a big, you know, part of how we help clients with recognizing that because it's getting information around margin. So yeah, he doesn't have to be the best, but it needs to be profitable.

Peter Margaritis

So, I assume you've heard this from some of your clients, and I'm hoping to bid on, and try to get some new business. I've got prospects. I'm gonna lowball my bids, so I get my foot in the door. You're smiling again. So, what you respond back to them, what would they say to you?

Courtney DeRonde

Well, you don't want to lose money on it. Right? And so there, I think there's definitely certain times where it might make sense to lower your margin on a particular bid in order to... because of the future opportunities that can come from it. But it's a very slippery slope, and especially when it's competitive. You're essentially just hurting everybody and bringing all of you down. And so, but I think the main thing we talk about is really knowing what is your true margin, because a lot of times when you think you're discounting it, you could be eating... if your margins inflated from the beginning, you think you're

making more off of it than you really are, you're gonna end up essentially paying to do the job instead of getting paid to do it.

Peter Margaritis

Right. And, and I, you know, when I first start my business, I was suspect to that. It's like, wait, if I lowball, then when I get in, and I do the job, and we want you back. Can you do this? And I give my normal price, they're going like, "What the heck is that? I thought what you gave me was your best price." And it creates this somewhat uncomfortable level with the client, potential client, if you just come in and ask that price that you know that you knew properly, and be able to validate it through conversation. If they don't want to take it, that's fine. There's a lot of business out there.

Courtney DeRonde

Yeah, well, in what we found, and what we've helped coach our clients on, is that if the price is a very sensitive issue, then perhaps you need to give them a couple of options. And so, you've got the option that everything that they asked for that's higher than they want to pay, and then stripped down the scope of what you're going to do for them to match their budget so that they can decide, okay, if this is my budget, this is what I get. If this is really what I want, this is what it's going to take, and it gives them instead of a decision of yes or no, it gives them the opportunity and kind of the agency to decide, what do I want. So, it doesn't have to be just one option. We always give three, and encourage our clients to think about it from that perspective. Of... and if you're gonna change your price, discount it, tie it to some change in scope, not just oh, you don't want to pay that much. Okay, I'll charge you less.

Peter Margaritis

Right, exactly. Well, I can't thank you enough. This has been very eye opening for myself. I think people find you first.

Courtney DeRonde

Yes. So they can find us at TDTPC.com. That's our website. I'm also on LinkedIn, at Courtney DeRonde. I do a video post every week. So, I'm pretty active on there. And we'd love to connect with people on LinkedIn or you can reach out directly through our website at TDTPC.com.

Peter Margaritis

You guys have figured out the secret sauce. I applaud your firm. I'm looking forward to following you on LinkedIn and learning more about and hopefully someday, our paths will cross because I could sit down and talk to you for a couple hours. I just be fascinated. So, thank you very much for your time and stay warm. It's February, and you're in Iowa. I mean. It's yeah.

Courtney DeRonde

Thank you, Peter. Thanks so much for having me on.

Peter Margaritis

I want to thank Courtney for sharing her knowledge and stories about the three questions successful business leaders ask and why you don't need to have the best product in the market to become highly profitable. 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 they have, and those who say no are rewarded by the safety they obtain. Be a yes person.