

Laura (00:03):

So here's the challenge: so many entrepreneurs dream of leading a life of impact by creating a multimillion dollar brand, but only a tiny percentage of businesses actually scale to that point. On this podcast, we speak openly authentically about what it takes to scale your business, following the journeys of innovators, disruptors, experts, and leaders, looking at the behind the scenes of their most challenging moments and greatest lessons learned. My name is Laura Meyer and I'm your host. I'm a serial entrepreneur, wife and mom to three. I love talking all things business, especially digging into the mindset and strategies of scaling joyfully to the multi-million dollar mark and beyond. Let's go!

(00:41):

Hey, everybody. I want to introduce you to Brennan de Raad He is somebody that I had the pleasure of getting to know through a previous podcast guest Dane Sanders, who I had known forever. And he said, you've got to meet my friend Brennan. He is a fractional CFO. You're a fractional CMO. What a great connection. So Brennan, I'm so glad you're here. Thank you for being part of this podcast.

Brennan (01:13):

Yeah, thanks for having me.

Laura (01:15):

So we had this great organic conversation and then I said, you've got to come on the podcast. And from my perspective, the best podcast episodes are ones that you're listening to. And you feel like you just dropped in on somebody's private conversation. So we're going to be talking about fractional finance, fractional marketing, what seven and eight figure business owners know about hiring and the C-suite. And I know that you came in to this whole conversation from the finance standpoint, but that wasn't always your background. Right?

Brennan (01:44):

Right, right. I was involved early on in a lot of early stage startups. So I had the good fortune of being, working for a serial entrepreneur who had dozens of different entities and companies and had the exposure of seeing that. But he was also a CPA. So I had the kind of financial acumen and that was my, my initial background in school. So I had this really unique combination of being able to apply finance in a lot of different ways for businesses, from ideation to being an operational reality. And then also businesses that were purchased or were in the transformation process, transition process, if you know, the mold help them in a very tactical level. So it's, it's been, it's been a fun, a fun journey between those two.

Laura (02:28):

Yeah. So interesting. And so today you're a fractional CFO, and I know a lot of what you believe is the future is fractional. Like where does that perspective come from?

Brennan (02:38):

Yeah, so it comes from a couple of different areas. One after I worked with that first entrepreneur I worked in a, in a really fast growing startup. And when you start in any kind of early stage business, you know, you're going to get your hands dirty. You're going to be involved in a lot of different things. But I was amazed at just the level that you know, VP finance, CFO controller, the level of things that they were in my, in my role was required to do and how inefficient that was and how I was doing probably 80% work that was not what I was getting paid for. And that the company could have made a better decision. Again, if I was objective by looking at it saying, hey, if you, if you brought in somebody 20 or 30 hours a month to do the strategic work and sit with the leadership team and take on the big questions or lead the team to take on the big questions that would, that would have been enough, but, you know, that was the experience.

(03:26):

And so it just sat in the back of my head, the first six or 12 months that I was there, that this could be done better. There's a better way to do this. And then as I started to look out in the market and, and do more work with other companies it became clear that this was something that a lot of business owners I think we're interested in because you're looking at a full-time salary. It's a lot different than a fractional salary, but a lot of times making that jump or that leap is the difference between knowing, you know, knowing your numbers are really having the strategic financial direction and not, and not having that competency.

Laura (03:55):

Yeah. It's so funny. I've had the same exact experience where maybe there's a lot of ideas and there's a lot of brainstorming and there's a lot of contribution without a lot of expertise. And a lot of times I come into organizations and what's happening is that you, you have at the, at the manager level, a certain amount of contribution that is incredibly important as it relates to the heavy lifting. And then the strategic conversation is oftentimes missing. Do you find that's happening on the finance side too?

Brennan (04:27):

Absolutely. Absolutely. Because you don't have necessarily been there done that, you know, in most early stage companies you're finding a bookkeeper or you're maybe bringing in a staff accountant if you're, if you're really advanced, maybe you have someone who has some experience in that space and has actually managed a team or led a team. But it's pretty rare that you would be investing that early in anything beyond that yet you're trying to make financial investment decisions you might be taking on capital. We work with a lot of software companies. You might be, you might be making some of the arguably the biggest decisions of your life. You know, you kind of compare it to asking 16, 17, 18 year old's to, to make college decisions is probably the best comparison, right. They haven't been there. They haven't done that. If you're taking on a lot of debt, you're, you're, you're gaining a new boss, whether you know it or not, but none of that conversation is happening.

(05:09):

It's just, you know, what are the numbers? And can we get them to the group fast enough? So I think that there's a lot of examples like that, where you don't know what you don't know. And I hear that pretty frequently in conversations the first, first or second conversation with anyone that I've been introduced to, or that we're working with Vessel. And that's, that's great. I mean, that's the whole point is that you're, you're really good at something, or maybe you have a couple of partners and they're really good at a few things, you know, you've got sales and marketing down, or you have you know, product down, you have development down, you have certain internal processes down but finance is missing or marketing's missing, you know, different, different little pieces there. You don't need to bring on a full-time person, you know, probably for a really long time, longer, longer than you think.

Laura (05:47):

Yeah. I have actually found the same exact thing. It's just so fascinating to see that you've come at it from a similar angle on a very different path. And from my perspective, it's often you might have somebody who's really good at ads manager. They might be really good at running Facebook ads, but they don't have a whole comprehensive lead generation strategy that's balanced with both paid and organic. And all of a sudden you lose your ad account and you don't have a backup plan, or you don't have another strategy in place because there isn't that oversight that big picture oversight on lead gen. Right. So for example, so I think it's, I do think I agree with you that I actually think that that future is fractional. And I think it's just so fascinating again, that you and I both landed at similar places from very different journeys. So I'm curious, I think getting data focused, numbers focus is one of the hardest things entrepreneurs can do, but it's one of the best things they can do. What's like a fun example of maybe a transformation that you've seen in your own client experience when it comes to getting more numbers focused.

Brennan (06:50):

I think when you're, when you're thinking about numbers, focus, what it does is it, it brings, you're bringing clarity and then confidence. So you're in clarity and the numbers, right. Which can take time. It's not always just available. So again, that's part of the strategic focus of seeing the bigger picture and all the different pieces that are coming in. And then once that data integrity is there, you have confidence to make really decisive, strategic decisions that, you know, the easy way to probably put that as you know, you know, where you know what to do more of and what to do less of. And it becomes really clear when you, when you see it, but getting there is hard. So, you know, example wise thinking of a client where we did that, we looked at all the revenue lines early on and they didn't have a great, they didn't have great visibility into their, their direct costs service company.

(07:31):

So we, we did some work to get clarity on what were our direct costs and then put all of those numbers up on the board. A couple months later, I took a poll of that group and

said which one do you think is the most profitable? What do you think the gross profit margins are for each of these, these categories, these four categories. And it was the converse of what the two partners and the advisor thought it was, which is fine. Because they weren't doing a lot of the thing that was the highest profit margin.

(07:59):

And they weren't trying to, it was just, it wasn't part of their business. So again, you get the clarity, you get the confidence and you look at that and go, so what right, what do we need to do more of? Well, we want to, we want to drive that revenue line. We want to increase that service line next year. What do we need to do that? And there's a whole slew of then in investment, you know, hiring the financial decisions that come from it, that then, you know, there's more work for your CFO to sit back and go, okay, here's your, here's your all-in costs. Here's your risk profile? Here's your sales ramp, you know, based on whatever, easy, medium, hard assumptions conservative assumptions. So when you go from there, you're going to, you're going to jump in. And, and that is going to give you the confidence to actually go make that decision.

(08:35):

So in their case, it was, we're going to open up an entirely new division and region. We're going to take care of the capitol or lower our cost of, of human capital, right. To do this service because that's obviously what was driving. The value of that one service line was like, Oh, we can do the same thing with a really good resource, but they don't to cost, you know, what we're used to paying for someone at a different level. Why don't we do more of that second? It was reoccurring versus one time. So the business model that was was not in the business to that point, other than a very, very, very, you know, not even a material way, less than 5% way. And so we sat there and said, well, what if in the first year we could get three or four clients on this, and then you'd go from there.

(09:17):

And then by year two, 12 clients by year three, 25 clients, you know, it really starts to ramp and it created a foundation for the business. So anyway, kind of coming back to your question on what's the transformation. Transformation in that business was they, they have taken, what was it, a less than 5% piece of their business. And now made that almost half their business based on a very, you know, again, not a, it's not a mind-blowing review, right? You figure out what your gross profit margins are. But I think when you're running so fast as a business owner, you're not sitting there and taking the time to go in and do the work to actually figure out what those things are. You just assume what those things are, and that's where you get in trouble. You know, the gut, they've got to get you a long way, but at some point having that financial objective kind of back office mindset person is really valuable to get to the next the next level.

Laura (10:04):

I found the same thing. And what I have found is that the attention goes to what is most burning, which is not the easy money. So it's really easy to ignore what is simple and effortless because it doesn't need you. So you ignore that and you focus on the things

that aren't working quite as well, when really what you need to do. It's, it's almost against your entrepreneurial nature to hyper focus on the thing that is going extremely well and is easy and effortless and customers convert easily and, and, and go off and then go work on something else instead of doubling or tripling down on what can eventually be a cash cow.

Brennan (10:49):

Absolutely. And so we talk a lot about it at vessel, our ideal person that we're looking forward to work with is a visionary sales driven culture driven, you know, a leader who's out there going after the next hill who's taking the next thing is your point there, right? Once, once the first thing becomes old and that could, that could say a week in a year, it's going to take days. That's one side what you need right now. You don't have the business without that person. So that's that I don't ever want to kill that piece of it, but having the CFO, that's kind of that other, that other side of the brain that early on, great to kind of move with reckless abandon. But at some point it is really valuable to at least have that opinion.

(11:33):

And I think with the fractional CFO, another great piece of that, and just fractional leaders generally is they're really objective, right? They're not coming at it from being in the politics of the existing business. They're not part of the culture per se, and they're not in the office or virtual office. You know, that we're in now, they're really looking at it from an objective perspective. And usually for six months, 3 months, 12 months, it's a short period of time. They're not there for, they're not there forever. They might be there for years, but it by design most consulting agreements and fractional agreements are meant to really deliver value, move it. So I think that those are just some things to consider. If someone's out there thinking about engaging fractional CMO, fractional CFO, and why you can really get a lot of clarity and confidence really quickly.

Laura (12:16):

So interesting. And do you find that some people are afraid to outsource that C-suite executive role?

Brennan (12:23):

Yes. I think generally speaking, if it's a, if it's a solo entrepreneur or sold a business owner, they're, they're always a little wary of hiring just generally. They're very aware that every, every cost comes in and increases, and then I've also seen it with with larger groups that, you know, their culture is to hire full-time. So to step out of that is a break from that, or at least what they perceived as is their culture. I'm speaking with someone right now in the last couple of weeks, who's in that same spot. And we've had a good dialogue going back and forth about the benefits and kind of the costs of, of both of those options for their stage a company. And I think, you know, as I think about that, I had to, I had to kind of put a couple bullets on it.

(13:00):

You know, you can, you can start small, you don't have to start with a quarter time fractional person and you can also do a lot of things to very quickly determine whether there's going to be an ROI. Therefore you as a business owner, certain industries, it's also a lot easier just to understand or see that, right. If you're in professional services and you're, you're the owner, but you're also trying to be, you know, 70% utilized or billable. There's an actual dollar opportunity costs that we can look at of what you're spending on this versus what you're spending on that. But probably more broadly. I think of like family run businesses, they just probably haven't even had someone look at the, at the company for a really, really long time at, at that level at an outside CFO level. And so it certainly doesn't hurt on a consulting basis to engage with the CFO on a project, right. Something that's been sitting on your desk or in the back of your head for two years, two months, two weeks, have that person come in and have them have them do on a project basis, watching them almost like you would for an employee, and then understand the fact that, you know, you can customize for most fractions CFOs, you can customize how much time they're going to be spending with you.

Laura (14:01):

So, cool. A question: If you had to summarize scaling to the multi-million dollar mark, what would be one word that you, that comes to mind?

Brennan (14:11):

I'm going to say metrics or measurement. And that's, that's, again, that's, that's probably a selfish word coming from the CFO, but visibility into seeing what's going on requires that you're measuring, you're measuring necessarily the right things, but then in quotation marks the right things. But that you're measuring enough to where it's valuable and you can, you can have a pulse on it, but not so much that you're just blowing through, you know, 40 metrics and trying to manage all those, because that doesn't happen. I advocate for five to 10, so I'd put metrics for measurement in there. And early, early on the company, you know, your, your need to be very focused on your sales metrics and your cash. And then as you're growing, you expand that and loosen up, maybe some of the other metrics that you're doing, but I still like the clients that, that shift from you know, hey, we look at our numbers once a month, if they're done maybe if they're done too, we have proactive lead measures that we're looking at every single week, or maybe even every single day. Most software companies have access to that data on a daily basis. Those are the things that I would, I would, I would encourage anyone to do if they're not doing already B be metric focused and you figure out what you need to be measuring.

Laura (15:18):

So good. And if people want to learn more about you, they want to connect with you or be a good place to find you?

Brennan (15:23):

Yeah. vesseladvisors.com is the best place. And then we're, we're pretty light on social media. So you can you can also email me Brennan@vesseladvisors.com.

Laura (15:33):

All right. Thank you, Brandon. Thank you for being here. It was such a fun chat and I'll look forward to talking to you.

Brennan (15:38):

Yeah. Thanks Laura. Talk to you soon. Bye bye.

Laura (15:44):

Hey there, before you head out, I want to let you know about a free new training I have right on a brand new website called yournextmillion.me. It's yournextmillion.me, where several of my seven figure clients and colleagues share what they're doing in the next year to scale their businesses to the multi-million dollar mark and beyond. And I have to tell you, it is not what you think. So check it out at yournextmillion.me. And if you loved this show, will you subscribe to it and share it with a friend or just say something nice about it to someone, you know? I'd really appreciate it so much. Thanks so much for being here and I'll see you next time.