

Healthy Tension

Randy Scott, Cook Communications Ministries' Vice President for Business Development, provides the publisher's view of financial management. He previously served as publisher of Chariot Victor Publishing.



Randy Scott looks for new markets and ways to reach more consumers with Christian products.

In my role as a publisher, I rely on the financial office for data to track certain key indicators. At first, I monitored performance by relying solely on sales revenue, without realizing other items affected our profitability. Now I pay attention to items such as the ratios between front list and back list product sales, what types of customers are purchasing our products, and which marketing channels are more or less successful than expected. The data provided by the chief financial officer and his staff is essential.

However, at times there is tension between the finance office and the publisher. This is fine provided we are not ill-tempered or hostile.

Healthy tension, where staff members debate different opinions, exchange ideas, and discuss issues, leads to the development of new solutions and strategies. If everyone in the publishing house agrees on everything all of the time, the publishing house will probably go out of business.

What can we afford?

The tension might be related to the question, "How good can the publishing house afford to be?" As a publisher, I talk to my staff about the importance of the customers. It is easier to keep an existing customer than to find a new one, thus the publishing house must take good care its customers. I affirm the importance of customer service and then our chief financial officer will sometimes respond, "Randy, we cannot afford to be that good."

For instance, at one time Cook's warehouse was not shipping orders correctly. The customers called to ask for credit for items they ordered but did not receive. The customer service staff received more calls than usual and tried to resolve the issues. In doing so, they ended up spending a lot of extra money to solve the problems. The financial staff said, "We need to watch our support areas." A publisher could get angry in response, because of course the customer service staff spent the money to treat customers well. However, the financial staff must keep track of expenses. If they do not do so the publishing house could get into trouble.

The chief financial officer and his staff essentially asked, "How well can we treat our customers?" In other words, "How good can we afford to be?" That is a great question leading to a healthy debate. It leads to new questions, such as, "How good are our competitors?" and, "What is the strategic advantage for us to be better than our competitors?"

Analysis vs. instincts

It might seem that the financial office is too analytical. Who else would think of measuring the costs of providing good customer service? On the other hand, this analysis is exactly what a publisher requires from the financial staff.

Publishers want the financial staff to be analytical because they get emotional sometimes. I will get really involved in a product, spending a lot to develop it because I love it. Somebody needs to say, "Randy, you are putting too much money into the product and it is never going to make any money."

The financial staff is constantly forecasting. Publishers rely on gut instincts, but they want financial officers to be conservative. Let this difference help you. The financial staff can ask you questions that help you create a better plan or execute it more effectively. ♦