



# Making Good Decisions on Financing

## *Or, how to grow and still maintain control!*

by Kenneth P. Walsleben

### Full-Service Factors vs. Funding-Only Factors?

Recently, a reader posed a question that, on its face, seemed simple. My questioner asked, “What is a full-service factor, and what is a funding-only factor?”

As I pondered the question, I realized that there was more to explain than she likely expected.

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**‘... have you considered the unintended consequences of such a decision?’**

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Those of you considering factoring to finance the growth of your business may not realize that you have one, basic choice to make at the onset of your search.

And, that is selecting the **type of factor that best suits your business.**

### Basic Funding Choices.

Full-service factors, as the name implies, provide more than simple funding. Some add payroll processing, while others add invoice rendering, tax remittance, or even accounting services.

Still others offer these services with the additional and tempting suggestion to turnover your entire back office to their control while you focus on sales and staff recruiting. This sounds attractive to many, and can be effective for some.

But, have you considered the **unintended consequences of such a decision?**

Often, folks, who declare the wish to reconsider that fateful decision, approach me for help. They chose a full-service provider, but in practice, found that turning-over their back-office to outsiders actually **separated them from control of their company.**

### Problems with Back-office Controls!

A heavy-handed back office provider causes

a great deal of grief! If payroll problems arise, and don’t they always, employees will turn to you first.

And, here are some of the issues you’ll wrestle with:

1. Will you be able to handle thorny personnel and payroll issues immediately?
2. Can you solve these problems quickly and seamlessly to avoid employee problems?
3. What about client contact and communication?
4. Who will your client call to discuss invoice irregularities or concerns?
5. And, can you help clients directly, or must you defer to your back-office provider?

If this decade has taught us anything, it is that trendy outsourcing can save money initially, but, if done incorrectly, it can be a client-losing, employee-angering, unmitigated disaster!

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**‘... trendy outsourcing ... can be a client-losing, employee-angering, unmitigated disaster!’**

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So, think twice before choosing this route.

In comparison, funding-**only** factors suffer an identity crisis because they sound as if you’re **only** getting funding.

The truth is, you maintain **Control and get funding that supports the growth of your business, in total!**

It’s your business after all, so why entrust it to the control of another company?

Funding-only providers typically offer lower-cost solutions because they are not loaded with extra services you already support.

A funding-only factor provides needed funding and then gets out of the way.

When a billing inquiry arrives from a client, or an employee raises a payroll concern, the solution is at your fingertips, and can be solved in the fashion and on the timeframe of your choosing. No equivocating!

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**‘Funding-only providers ... offer lower-cost solutions ...’**

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Most industry professionals find the allure of a ‘full-service’ solution to be very tempting.

In theory, the arguments sound solid. In practice, however, users typically discover that they still spend a significant portion of time dealing with exceptions.

This **attention-robbing effort defeats the main reason to pursue a full-service funding.** Instead, users eventually realize that their factor’s desire to provide back-office services isn’t about the delivery of assistance.

It’s about the ever-increasing need to control their funding and to minimize their risk to your business.

There’s no altruism here. Full-service factors control your back-office **BECAUSE they want to minimize their risk, period.**

They package the funding to you as a means to avoid the perceived hassles of daily back-office complications.

### My recommendation?

Understand that back-office development is a legitimate cost of running your business.

Rather than the sweet temptation of worry-free corporate growth, seize the initiative and pursue the best **factoring-only deal you can find.**

In the end, that’s the best way to **grow your company and maintain control of your corporate destiny.**

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