VERITAS MANAGEMENT GROUP

Beyond the Shop Floor

What Every $5–50 Million Manufacturer Needs to Know About Cash, Growth, and What the Business Is Really Worth

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A Note on the Stories in This Book

The companies and situations described in this book are composites, built from patterns I've seen repeat across many manufacturing clients — job shops, fabricators, assemblers, and process manufacturers alike. Names, products, and identifying details have been changed or blended. No story in this book describes one real client. The financial patterns are real, and I've watched nearly every one of them play out more than once, often in businesses that looked, from the outside, like they were doing everything right.

This book won't teach you to run a machine or manage a shop floor. You already know that better than I ever will. It's meant to do one thing: make the financial side of your business as legible to you as the operational side already is.

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1. Why I Wrote This for Manufacturers

Manufacturing owners are, in my experience, the best operators I work with and the most exposed financially — and those two facts are connected.

You built a business by mastering something genuinely hard: quality, throughput, equipment, labor, supply chains, customer relationships that took years to earn. Nobody hands you a manufacturing business. You know your cost per unit, your scrap rate, your on-time delivery number, probably better than you know your own bank balance on a given Tuesday.

And that's exactly the problem. Because you're so fluent in the operational side, the financial side often gets run the same way it was run when the company was a quarter of its current size: a bookkeeper handling AP and payroll, a CPA who shows up once a year for taxes, and you, holding the real picture of the business in your head.

That works — until the business is big enough that decisions made on gut feel start costing real money, or until you need someone outside the company (a bank, a buyer, a new partner) to trust numbers you've never had to defend to anyone before.

This book is about closing that gap. Not by turning you into an accountant, but by showing you the handful of financial blind spots that show up in almost every manufacturing business in the five-to-fifty-million range, and what to do about each one.

2. Profitable on Paper, Broke in the Bank

This is the single most common call I get, and it always starts the same way: "We had a great year on paper. I don't understand why cash is so tight."

It's not a contradiction. It's how manufacturing cash flow actually works, and almost nobody explains it to owners clearly. You buy raw material before you get paid for the finished product. You pay your people to build inventory that might sit for weeks before it ships. You extend thirty, sixty, sometimes ninety days of credit to the customers who just bought that product. Every one of those steps ties up cash before the P&L ever books the profit.

A business can grow revenue twenty percent, show a healthy profit margin, and still run out of cash in the same year — because growth itself consumes cash faster than profit generates it. More orders mean more material purchased up front, more labor building inventory, more receivables outstanding at any given moment. Growth is not free, even when it's profitable.

I worked with a metal fabricator doing about fourteen million in revenue who hit exactly this wall. Order volume was up, margins were healthy, and the owner was two weeks from missing payroll because nobody was tracking the gap between when cash went out for material and labor and when it came back in from customers. The business wasn't failing. It was succeeding faster than its cash conversion cycle could keep up with.

The fix wasn't complicated once someone was actually watching it: tightening payment terms with a few slow-paying customers, renegotiating material payment terms with two key suppliers, and building a rolling thirteen-week cash forecast so surprises stopped being surprises. None of that required a genius. It required someone whose full-time job was to watch that number, which — reasonably — had never been anyone's full-time job.

3. The Real Cost of "We'll Figure It Out as We Grow"

Almost every manufacturing owner I've worked with built the business the same way: hands-on, resourceful, figuring things out in real time rather than over-planning. That instinct is exactly what got the business to five, ten, twenty million dollars. It is also the instinct most likely to hurt you past that point.

"We'll figure it out as we grow" works for a shop floor problem — a new machine, a new process, a new hire. It works much worse for the financial function, because financial problems don't announce themselves the way a broken machine does. A machine stops, and you know immediately. A financial system quietly producing wrong numbers can run for years without anyone noticing, until the day it matters most — a bank renewal, a big customer's credit check on you, a buyer's diligence team.

The cost of waiting isn't abstract. It's the deal that gets re-priced downward because the numbers didn't hold up under scrutiny. It's the loan renewal that takes three extra months because the bank doesn't trust the reporting. It's the six-figure decision — a new line, a second shift, a facility expansion — made on a gut sense of margin that turns out to be wrong once someone actually does the math.

The businesses that avoid this aren't the ones with no problems. They're the ones that built financial visibility before they needed it, the same deliberate way they built quality control before a customer forced them to.

4. Inventory and WIP: The Numbers Most Owners Don't Actually Trust

Ask most manufacturing owners how confident they are in their inventory and work-in-progress numbers, off the record, and you'll get some version of "honestly, not very." This is one of the most common blind spots in the industry, and one of the most expensive.

Inventory and WIP sit on the balance sheet as an asset, but the number is only as good as the process behind it. If cycle counts are inconsistent, if WIP is estimated rather than tracked by job, if scrap and rework aren't captured cleanly, the number on the balance sheet can be meaningfully wrong — and because it's an asset, being wrong in the optimistic direction makes the whole business look healthier than it is.

I've seen this surface in two ways, both expensive. One: a bank or buyer's diligence process discounts inventory value heavily because they don't trust the counting process, which directly reduces what the business is worth to them. Two, and more common: the owner is making pricing and capacity decisions based on a cost-of-goods number that's quietly wrong, because WIP and inventory valuation feed directly into it.

You don't need a perfect system. You need a consistent one — a real cycle-counting cadence, a WIP tracking method tied to actual job data rather than estimates, and someone reconciling the physical reality against the books on a regular schedule. That's not glamorous work, and it's exactly the kind of work that gets skipped when the finance function is stretched thin, which is most manufacturing businesses in this size range.

5. Job Costing and Margin: Are You Sure Which Jobs Actually Make Money?

Here's a question worth sitting with honestly: if I asked you which of your top ten customers or product lines is actually the most profitable, on a fully loaded basis — not just gross revenue, but after labor, overhead allocation, scrap, and rework — how confident would you be in the answer?

In my experience, most manufacturing owners can answer this for revenue instantly and for true margin only approximately. That gap matters enormously, because it means growth decisions — which customer to chase, which product line to expand, which job to say no to — are often being made on the wrong signal. Revenue feels good. Revenue isn't profit.

I worked with an injection molder where the owner was convinced his largest customer, roughly a third of revenue, was also his best account. A proper job-costing exercise showed that account was running close to breakeven once you accounted for the customer's tight tolerances, higher scrap rate, and the rush-order premium the owner had never actually billed for. Meanwhile, a mid-sized customer he considered secondary was quietly the most profitable relationship in the shop.

That's not a rare finding. It's close to the norm when a business has grown without ever building true job-level or product-level costing. The fix reframes real decisions: where to invest in capacity, which customers deserve a price increase, which relationships aren't worth protecting at their current terms. None of that is visible from the top-line P&L. It only shows up once margin is tracked at the level decisions actually get made.

6. The Growth Trap: Why Winning More Business Can Break You

Every manufacturing owner wants more orders. It's worth saying plainly, because it's counterintuitive: more orders, without the financial infrastructure to support them, is one of the most common ways a healthy manufacturing business gets into real trouble.

Growth demands cash before it returns cash — more material, more labor, more equipment capacity, more receivables outstanding at any given time. A business that's financially fragile at ten million in revenue doesn't get less fragile at fifteen million. It usually gets more fragile, faster, because the absolute dollar gap between cash going out and cash coming back grows right along with revenue.

This is the pattern behind almost every manufacturing business that grows into a crisis rather than growing into success: a big new contract or customer win that looked like unambiguous good news, that actually strained working capital past what the business's credit line or cash reserves could absorb, at the exact moment the owner was least prepared to notice, because everyone internally was celebrating the win.

The businesses that scale well aren't the ones that grow more cautiously. They're the ones that pressure-test growth before committing to it: modeling what a new contract does to working capital, lining up financing or credit capacity ahead of the need rather than in a scramble, and knowing in advance what capacity, cash, and margin the business can actually absorb. That's a finance function question, answered before the growth arrives, not after.

7. Capital Equipment, Debt, and the Bank's Real Questions

Manufacturing runs on capital equipment, and capital equipment runs on debt. Almost every manufacturer I work with has an equipment loan, a line of credit, or both. Almost every one of them, at some point, has been surprised by how a lender actually evaluates them.

Banks and equipment lenders aren't primarily looking at whether you're a good operator — they're assuming you are, or you wouldn't be in front of them. They're looking at whether your reporting lets them trust the numbers behind your covenants, your debt service coverage, and your collateral value, on an ongoing basis, not just at the moment you applied.

A business with clean, timely monthly financials gets better terms, faster approvals, and more flexibility when something goes sideways — a slow quarter, a big customer's late payment, an unexpected repair. A business whose financials are produced quarterly, or annually, or only when the bank asks, gets treated as a higher risk, priced accordingly, and given far less benefit of the doubt when something goes wrong.

This compounds over time. The manufacturers I see with the best access to capital, the best rates, and the most flexibility from their lenders aren't necessarily the biggest or the most profitable. They're the ones whose finance function produces numbers a bank can trust without a fight, every single month, whether or not anything is currently being asked of them.

8. What a Fractional CFO Actually Does for a Manufacturer

"CFO" is a loose term, so it's worth being specific about what this actually looks like for a manufacturing business, because it's not a bookkeeper and not simply a more expensive accountant.

Done properly, it means someone who builds and owns a rolling cash flow forecast tied to your actual order book and production schedule, not a generic template. It means real job-level and product-level costing that tells you which work is actually worth doing. It means monthly financials clean and timely enough that a bank, a buyer, or a partner can trust them without a fight. And it means sitting with you as a strategic partner on the decisions that actually move the business — pricing, capacity, capital equipment, growth timing — the way an operations consultant would sit with you on the shop floor, except for the numbers.

At Veritas, we typically build this as a small team rather than a single hire: a CFO advisor for strategy and the owner relationship, a controller who owns the accuracy of the monthly close, and one or two accountants handling production work like job costing and reconciliation. That structure means the finance function doesn't live in one person's head — the exact failure mode manufacturing businesses run into when the owner has been the de facto CFO for a decade.

It's structured to cost a fraction of a full-time CFO, controller, and finance team, because most businesses in this range don't need those roles at full-time capacity — they need the judgment and the accuracy, sized to what the business actually requires right now.

9. Getting Ready to Sell, Expand, or Bring in a Partner

At some point, most manufacturing owners face one of three moments: selling the business, bringing in a partner or investor, or expanding into a new facility, product line, or major piece of capital equipment. All three depend entirely on the same thing — financials clean and defensible enough to survive someone else's scrutiny.

The mistake I see most often is starting to prepare for one of these moments only after it's already in motion: a buyer has already shown interest, a bank has already asked hard questions, a potential partner has already asked for financials. By then, you're preparing under deadline, which is both more expensive and less effective than preparing in advance.

The businesses that get the best outcomes in a sale, a raise, or a major expansion are the ones where the financial house was already in order before the opportunity showed up — clean job costing, reliable inventory numbers, monthly financials a lender or buyer can trust on sight, owner add-backs documented rather than explained after the fact. That kind of readiness typically takes six to twelve months to build properly. It's far cheaper to build it now, before you need it, than to build it in three weeks because a deal is already on the table.

10. The Financial X-Ray: Where to Start

You don't need to commit to a full CFO engagement to find out where your business actually stands. That's why we built something smaller and faster: the Financial X-Ray, a fixed-scope review of your last twelve months.

It answers three questions directly. Where is cash actually going, and where is it leaking between order and payment. What would your numbers look like to a bank, buyer, or partner today, exactly as they stand. And what are the two or three things that, fixed now, would remove the most risk and unlock the most growth capacity.

It's scoped to be fast, specific, and low-commitment — a clear-eyed look at where things stand, not a sales pitch dressed up as an audit. If any part of this book felt familiar, that's usually the right place to start.

Conclusion — Running the Business, Not Just the Shop

I called this book Beyond the Shop Floor because that's exactly what it is — everything you already do brilliantly happens on the floor: the quality, the throughput, the relationships with the people who make the product. The finance function is the part of the business most owners never got to master, because nobody made them, until the size of the business made not mastering it expensive.

You don't need to become a CFO. You need the same thing on the financial side that you already have on the operational side: a system you trust, run by someone whose full-time job is to watch it, so the numbers stop being the part of the business that surprises you.

If any part of this book described your business, that's not a sign something is wrong with how you've run it. It's a sign the business has grown past the point where instinct alone is enough — which, if you're reading this, it probably has.

I'd rather have that conversation now, on your terms, than in three weeks because a bank, a buyer, or a partner forced it.

Appendix — A Manufacturing Owner's Financial Health Checklist

Run through this list honestly. It takes five minutes and tells you a lot.

1. Do you have a rolling 13-week cash flow forecast, or do you find out about cash problems when they happen?
2. Do you trust your inventory and WIP numbers, or do you privately suspect they're off?
3. Can you say, with confidence, which of your top customers or product lines is actually most profitable on a fully loaded basis?
4. Before you accept a large new order or contract, do you know what it will do to your cash position over the next 90 days?
5. Are your monthly financials clean and timely enough that a bank could review them today without raising questions?
6. Is there more than one person in the company who understands the full financial picture, or does it all live with you?
7. If a buyer, bank, or partner asked for your numbers next month, would you be ready — or would you need weeks to get them presentable?

If two or more of these gave you pause, it's worth a real conversation before growth, a bank renewal, or an opportunity forces one.

About Veritas Management Group

Veritas Management Group is an outsourced finance department for owner-led companies from $5 million to $100 million+ in revenue, including a significant base of manufacturing clients — job shops, fabricators, assemblers, and process manufacturers. We provide CFO-level strategy, controller-level accuracy, and the reporting infrastructure to support growth, financing, and transitions — without the cost of a full-time executive team.

Gui Albergaria is Founder & CEO of Veritas Management Group. He served as an in-house CFO before founding Veritas and has worked with owner-led businesses across manufacturing, healthcare, law, construction, services, and distribution. He is a member of the Alliance of Independent CFO Consultants.

To start with a Financial X-Ray, or to talk through your specific business, visit veritasmggroup.com.