

Q&A with Kurt Rathmann, Founder and CEO of ScaleFactor, Inc. providing a Cloud-based Accounting, Tax, Finance and Business Management Solution for Staffing and Professional Services Companies



Kurt Rathmann
Founder and Chief Executive Officer

ScaleFactor, Inc.
www.scalefactor.com

Contact:
Amy Furr
512-593-2999
connect@scalefactor.com

Interview conducted by:
Lynn Fosse, Senior Editor
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CEOCFO: *Mr. Rathmann, would you tell us the concept behind ScaleFactor?*

Mr. Rathmann: ScaleFactor is speeding up financial information to a small business owner. What that means is that today the way the accounting and financial services industry works, forces a business to be reactive. This happens because their traditional accountants or bookkeeper give financial statements about a business's performance typically thirty days after the end of the month so you are getting financial statements at the end of this month that relate to last month. This means there is no ability to proactively guide the business; it is simply a reactive statement. At ScaleFactor we think that this cycle is wrong and we want to change it. We are doing that by speeding up the information flow and taking this thirty-day accounting cycle and bringing it down to one to two days at maximum.

CEOCFO: *Is it that you are able to do so with the technology or is it equally that people never thought it was necessary and did not attempt it?*

Mr. Rathmann: I think it is two-fold. The technology today in the cloud environment has enabled us to do this. One, it is now possible and secondly, the connective nature of the world today is making business owners need information faster. The business environment is constantly speeding up and a small business can necessitate change even faster than a large corporation--sometimes changing on a daily basis. Given the environments that we are operating in 2018, we believe ScaleFactor is a necessary evolution moving into the future.

CEOCFO: *How does a business engage with ScaleFactor?*

Mr. Rathmann: ScaleFactor is a software platform that is available in a number of different ways. We have a web application that you log into anywhere with an internet connection. We have a mobile app as well that is always available at your fingertips. We also have a deep layer of experts offering a human touch. If you have a one-off question about something happening in your business or a reason that you would pick up the phone and call your accountant, you do not lose that with ScaleFactor. We have real humans that are knowledgeable and know what is going on in your business. We deliver that experience through the software that allows the smoothest interaction with your finances so it is always available, you do not have to wait for financial statements or wait for your accountant to get back to you. It is much more real-time.

CEOCFO: *How do you get the information and what are you putting together?*

Mr. Rathmann: We integrate with a variety of different softwares around the small business ecosystem. These are systems that people are often using today so there is not a need to switch to another, which is a big benefit for people

who are happy on Quickbooks, for example. The other side of this is we are integrating with solutions like the payroll system, or the bill-pay system that the company is using. It is sitting at the hub of all the business systems that are being used as a small business. Running a small business today, you find yourself needing to solve a problem and you go find a software solution that solves that particular problem. If you keep on growing and needs change in your small businesses, you find that pretty soon you have signed up for ten or twenty different software systems, and you solved all your problems in the business, but you literally have to keep track of ten to twenty different log-ins and understand how to use ten to twenty different systems. We are eliminating a lot of that and consolidating the information, creating simple workflows, and it is really a single place you can log in to.

CEOCFO: *What types of businesses are turning to you and how are you reaching out?*

Mr. Rathmann: We primarily focus on staff companies and professional services companies today. We reach out in a number of different ways. We have a partnership channel, so we love to have partner relationships with anyone selling into a small business or any other software that is enabling a small business. It is a great relationship and it is also an easy way for us to continue to extend the value that they are providing the customer and vice versa. We also have an inside sales team and we are actively pursuing new customers just by creating new relationships on our own. We are ultimately pursuing other ways to acquire customers whether that be events or tradeshow or any type of in-person outreaches.

“We’re not just building features, we’re using AI and machine learning to solve problems that small business owners face every day.” - Kurt Rathmann

CEOCFO: *What is the competitive landscape?*

Mr. Rathmann: This is the new age of accounting and the fundamental shift we see the industry starting to take. This is the way that we see small businesses digesting these types of solutions in the future. There are some competitors out there, but I think the biggest differentiator is that we are really focused on the technology side of this. We still have the human touch but a lot of the process that a traditional accountant does are solved by our software today and that allows us to increase speed and accuracy in what we are doing. We are going to be much more accurate and faster than a human who is susceptible to mistakes, burnout, and sickness.

CEOCFO: *How do accountants feel about this?*

Mr. Rathmann: There is a large level of excitement because a small business accountant gets bogged down by the things that our software provides a solution for. These repetitive tasks are typically low on the cognitive scale; bookkeeping, for example, can be repetitive and almost numbing in a sense but it can also be pretty easy to make a mistake. As a small business accountant, when you make a mistake the impact can be pretty detrimental to the customer. Accountants are starting to request tools that automate pieces of what they do because of this and the added value of an accountant being a proactive, true consultative coach in the business. We are not going to replace the CFO at this point. We are really enabling somebody to provide guidance with a rich set of information and they are not having to worry about the things that were bogging them down in the past.

CEOCFO: *What has changed in your approach as people have started to use your product?*

Mr. Rathmann: We’ve learned that as we’re dealing with a business’s money, and the entrepreneur’s money, it’s very personal because entrepreneurship is very personal. We’ve learned that the value of the customer relationship is greater than we ever could have thought it was and that is great because we are really designing our organization to be 100% customer centric. The other side of this is a deeper layer wherein people ultimately want to learn for themselves; business owners want to be better business owners. A large part of our approach is focused around education. ScaleFactor can solve a lot of things for the business owner so they can focus on growing their business. When they get a moment they can come back to ScaleFactor and learn something new, such as how to read financial statements for the first time. I think all that was something we knew when we started, but our experience in the last three and a half years has accentuated and punctuated the fact that this is one of the most important components to our success, and to our customers’ success as well.

CEOCFO: *Would you tell us about your recent seed round funding?*

Mr. Rathmann: We closed \$2.5 million from notable investors here in Austin and beyond. We are primarily using seed round funding to continue to develop the product and to start our accelerated outbound acquisition studies in sales and marketing. Most of the funding is going toward continuing to grow and develop our team, technology and product.

CEOCFO: *What would you like to add to the mix?*

Mr. Rathmann: The most exciting part of what's next has to do with a lot of interaction through today's buzzphrase: AI. We are excited that we have a true application for an AI interface to the small business owner. This goes along the notion of receiving answers and insights even faster. We are working on a lot of fun AI features that will continue to make this experience even better for the small business owner. This is going to allow business owners to do things like send a text for an instant financial updates or automatically send a bill with a statement, rather than having to click around in the software to do so. We're not just building features, we're using AI and machine learning to solve problems that small business owners face every day.

CEOCFO: *What is the takeaway for our readers?*

Mr. Rathmann: We feel that if we can empower more people to be entrepreneurs and grow businesses, we can get more products and services to the world, ultimately enriching the lives of our friends, families and customers. We believe that small businesses are the core demographic powering innovation into the world, and our goal is to enable as many small businesses to succeed as possible.



SCALE
FACTOR

The logo for SCALE FACTOR consists of two lines of text. The top line, 'SCALE', is in a grey, sans-serif font. The bottom line, 'FACTOR', is in a blue, sans-serif font. The letter 'O' in 'FACTOR' is replaced by a square icon with a blue border and a yellow-orange gradient fill.