



Faultless Linen:

When “The Way It’s Always Been Done” No Longer Works

Background

Faultless Linen has been owned and operated by the Spence family for over 100 years. “Longevity is definitely something to be proud of, but the ‘inbreeding’ can be problematic,” confessed Susan Witcher, CEO of Faultless and fourth-generation Spence. “We were really entrenched in old, inefficient processes and desperately needed a fresh, objective perspective.”

Founded in 1896, Faultless provides clean, high quality linens to hospitals and restaurants in Kansas City, St. Louis, and Denver and is currently run by

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five Spence siblings. When the company’s CFO left, the management of the accounting function fell to Susan. Unfortunately, it wasn’t a good fit, and after five frustrating years Susan decided to

Organization: Faultless Linen
Industry: Linen supply service
Size: More than 525 employees
Revenue: \$40 million
Locations: Facilities in Kansas City (3), St. Louis (2), and Denver (1)
TPP CFO & Accounting Resources client since 2002

hire a CFO, but she felt unqualified to oversee the position. “I didn’t feel as though I knew enough about the job to be able to hold a CFO accountable.” So Susan turned to TPP for advice.

TPP had been the accounting firm for Faultless since 1998, performing the company’s audits and preparing tax returns. Bob Parker, partner of TPP, suggested that Susan eliminate her management frustration by outsourcing the CFO position. He explained to Susan that outsourcing the CFO position was no different from outsourcing linen service:

When Faultless approaches hospitals to outsource their laundry service, you point out that, because of your state-of-the-art facilities and the streamlined processes you have in place, you are able to handle their linen needs more efficiently and economically than the hospitals could handle them in-house. And, by outsourcing their linen service, the hospitals are able to focus their resources on what’s important... patient care.

Solutions

The process began with a Financial Checkup, followed by recommendations for streamlining accounting processes and incorporating best practices. “Some practices had been in place for decades,” commented Bob. “Whenever we’d question a certain report or process, we’d frequently hear, ‘That’s just the way it’s always been done.’” Once redundant processes were eliminated, and best practices were in place, the accounting department ran more smoothly and efficiently.

Creating an open communication channel was crucial, especially since the structure of Faultless includes multiple locations and owners. To maintain open communication, TPP CFO & Accounting Resources met weekly with upper management and monthly with key personnel.

The next step TPP CFO & Accounting Resources took was to look beyond the accounting department and examine the business as a whole.

One suggestion, however, was extremely difficult for the family to embrace.

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For years, Faultless had owned an industrial uniform division in St. Joseph, Missouri. The industrial uniform business is highly competitive, and the St. Joseph facility wasn’t doing well—volumes were declining and profits were inconsistent. Even though everything indicated that selling the division was the best move, there was resistance when Bob made the suggestion.

“The division was started by my father,” explained Susan. “You become very emotionally engaged with a business that your family has



built over the past 100 years. But Bob understood the dynamics of a family business, and he helped us maintain a business perspective.”

The sale occurred in 2004, and the proceeds were used to build a 50,000 sq ft, state-of-the-art medical laundry facility in St. Louis. “Building the facility was an extremely successful business move, but it wouldn’t have happened without the sale of the St. Joseph facility, and that wouldn’t have happened without the objective business perspective of TPP CFO & Accounting Resources.

“The greatest benefit we receive from TPP CFO & Accounting Resources is their outside perspective,” emphasized Susan. “It’s been invaluable to the strategies chosen over the years. And what I like best about the outsourcing arrangement is that I don’t have to manage the accounting function. It saves me a lot of stress.”

Results

An ongoing outcome is access to relevant and timely financial information needed for key decisions. Accounting efficiencies created by eliminating redundant processes and implementing best practices allows for a lean corporate staff. Even as sales have increased by 48 percent, Faultless Linen’s accounting expense only increased by 6 percent. With TPP CFO & Accounting Resources serving as her CFO, Susan can focus on her business and not worry about accounting.