



Why You Must Keep Your Key Advisors Consistently Informed

Michael K. Menerey, Partner, CFO Edge, LLC

There are a lot of advantages to owning and operating a small or mid-sized business. For example, there probably isn't the level of complexity and bureaucracy in a small or mid-sized firm that you see in a large corporation, which makes it easier to move quickly to take advantage of opportunities. Also, it's easier for you as the owner to oversee all aspects of the operation and keep your finger on the pulse of everything that's going on in your business.

Of course, there are also some drawbacks. One of the disadvantages of owning a small or mid-sized firm is that you might not have the luxury of just walking down the hallway to talk to experts and key advisors for advice and consultation in certain areas. Instead, you may have to rely on a team of outside advisors for in-depth knowledge and expertise in these areas.

Areas Where Outside Advice is Needed

Among the areas where small and mid-sized business owners often rely on outside expertise are the following:

- Corporate and employment law
- Patent and intellectual property protection
- Accounting, auditing and finance
- Human resources and payroll
- Supply chain management
- Marketing and public relations

The benefit of using outside advisors in these areas is that you don't have to pay a salary and benefits to full-time staff to handle what are essentially non-core business functions. This frees up your staff to stay focused on your company's core competencies. But the drawback is that you don't always have immediate access to your outside advisors when you need them — like you would if you just popped into the office of your in-house attorney, CFO, Director of HR or Marketing Director.

The best way to minimize the potential negative impacts of this drawback is to keep your outside advisors informed about key aspects of your business throughout the year. This way, they will have the most current and up-to-date information about their areas of expertise at their fingertips when you contact them. This will make it easier for them to give you a prompt and knowledgeable reply.

Specifically, you should keep your outside advisors informed about the following:

1. **All business activity** — This includes major sales gained or clients lost; new products, product lines or segments that have been added or discontinued; important new contracts to be entered into or cancelled; planned software upgrades or major process or system changes impacting operations; and any significant vendor or supplier changes or issues.

2. **Personnel issues** — These include significant hiring or downsizing, unionization and any workers compensation-related problems or issues.
3. **Income tax-related issues** — These include capital expenditures; buy/lease decisions; activity that may lead to tax credits (e.g., research and development, hiring and training); new joint ventures; projected profitability; and estimated payments.
4. **Insurance-related issues** — These include current insurance costs, changes in coverage, and exit planning and buy-sell provisions.
5. **Cash flow issues** — These include both good and bad cash flow developments, which may lead to borrowing or capital-raising requirements as well as acquisition and sale discussions.

Benefits of Proactive Communication

There are many benefits to proactively keeping your outside advisors informed in these areas throughout the year. Not only will you be more likely to receive prompt and knowledgeable responses to your inquiries, but you may also receive value-added advice that presents you with new alternatives and ideas you hadn't considered before. It will also be more cost-efficient for your advisors to digest information throughout the year and advise you *before* instead of after major problems arise and you're in crisis-management mode.

One of your key outside advisors should be an outsourced CFO services provider. Working with an outsourced CFO will greatly enhance your ability to provide your advisors with the up-to-date information they need, when they need it. Your outsourced CFO can generate the required communications with all of your outside advisors, which you can then review and edit, as necessary, to make sure that nothing critical is omitted.

Concluding Thoughts

There are many advantages to owning and operating a small or mid-sized business, but one of the drawbacks is that you won't have the luxury of walking down the hallway to talk to experts and key advisors for advice and consultation in certain areas. Instead, you may have to rely on a team of outside advisors for in-depth knowledge and expertise. It's smart to keep these advisors informed about key aspects of your business throughout the year. This way, they will have the most current information at their fingertips when you contact them — and can provide you with a prompt and knowledgeable reply.

About CFO Edge

CFO Edge, LLC delivers enterprise-class financial and operational performance solutions to executives throughout Southern California. Based in Los Angeles, our formerly-seated chief financial officers engage on demand as part-time CFOs, single-project CFOs, and interim CFOs to help business leaders successfully resolve pressing challenges and realize their financial and operational goals. At CFO Edge, we are passionate about helping our clients create, grow and sustain value. For more information, visit www.cfoedge.com or call 800.276.1750 Ext 101.

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