



## How to Help Your Clients Vet New Clients of Their Own

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Many Los Angeles and Southern California business owners and entrepreneurs are starting to reap the benefits of the rebounding economy by landing new clients. This is obviously a welcome development for any business, as new clients are essential not just to growth, but to maintaining the status quo as some clients are inevitably lost through the natural course of attrition.

But in the excitement of landing new clients and ramping up these new relationships, there's an important question your clients need to ask: Is the new client we just landed a *good* client? The simple fact is that all clients are not created equal — there are good clients, average clients and, yes, even bad clients. This makes it critical that your clients carefully spend time upfront vetting and validating prospects before they actually become clients. Doing so can help prevent lots of potential problems down the road.

### Five Things to Vet

Here are five things your clients should try to determine in this vetting process:

1. Is the new client going to work with you and be completely forthcoming with the information you need to succeed at what they're asking you to do?
2. How will you navigate within the company to find the best sources for this information?
3. Can you measure the integrity of the owner and the management team to ensure that you are dealing with the type of business you want to deal with?
4. Does the client have the financial resources to pay you in a timely fashion?
5. Can you identify the actual users of your work product, and will this work product create potential liability for your company?

Finding the answers to these questions *before* prospects actually become clients can prevent many potential negative impacts for your clients, including the following:

**Financial difficulties** — This may be the most obvious negative impact of landing a bad client. If the new client does not pay invoices in a timely fashion, this could result in myriad financial problems for your clients — including eventual insolvency or bankruptcy, in a worst-case scenario.

**Not meeting, much less exceeding, the client's expectations** — Most businesses aim to meet, if not exceed, the expectations of their clients. But this is difficult to do if the client is unwilling or unable to provide the critical information needed to perform the job.

**Missing a major driver or element that's necessary to perform the work satisfactorily** — Usually included among this information are major drivers or elements that are critical to success. Without these it's usually impossible to do the job to the client's level of satisfaction.

**Exposing the firm to unknown risk** — This goes back to gauging the integrity of the owner and the management team. Your clients could be exposed to any number of different risks, including financial loss and legal liability, if they end up working with clients that do not operate with at least a minimum level of integrity.

### **How An Outsourced CFO Can Help**

An outsourced CFO services provider can help your clients in the process of vetting their prospects. This starts with conducting thorough due diligence and research on them in the business community and then providing unbiased feedback to your clients about what is discovered. The outsourced CFO services provider is able to view the prospect from an objective perspective, which often makes it easier for the services provider to perform this kind of research than it is for your client who obviously wants for the prospect to check out "clean" in order to obtain new business.

Another valuable service an outsourced CFO can provide is an assessment of the prospect's financial condition, and thus their ability to pay invoices in a timely manner. In addition, an outsourced CFO can review your client's potential work product and help them understand what the potential risks are, including who might use the client's work product, in order to establish liability.

By referring your clients to an outsourced CFO services provider for help in vetting their prospects, you can reduce potential future problems between them and your firm by avoiding difficulties like these early on in the relationship. And you further position your firm as a trusted and valuable resource to your clients.

### **Concluding Thoughts**

With the rebounding economy, many Los Angeles and Southern California business owners and entrepreneurs are starting to land new clients for the first time in awhile. But in the excitement of landing new clients, it's important to determine whether they are good clients — because not all clients are created equal. Doing so involves carefully spending time upfront vetting and validating prospects before they actually become clients. An outsourced CFO services provider can help your clients with this vetting process by conducting thorough due diligence and research on your clients' prospects and then providing unbiased feedback about what is discovered.

### **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're passionate about helping our clients create, grow and sustain value. For more information, visit [www.cfoedge.com](http://www.cfoedge.com) [www.cfoedge.com](http://www.cfoedge.com) or call 800.276.1750 Ext 101.

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