

Adding Value As a Trusted Advisor

By Steve Hancox and Leonard Eppel, 2013

As a trusted advisor to someone who runs a business, you are a highly valued center of influence to that leader. CEO's have broad responsibilities, but only the ability to influence four areas: planning, people, financing, and execution. Each area is critical to their company's success; however, there is no reason to believe that one person will be an expert in all four.

Planning

With strategic, succession, estate, and retirement just to name a few, there is no escape from planning for the CEO of a company. These plans are indispensable. It is hard to imagine success without them. The most damaging events in a company's existence are usually the result of inadequate preparation. However, since they deal with the future, it is easy to put them off for matters of lesser importance but greater urgency. Plans become out of date. For some business leaders, their most helpful advisor is the one who makes sure the CEO does not allow these priorities to slip.

People

It is not always easy to identify and surround oneself with the right people. It is equally important to instill a unifying culture. The opportunity to succeed requires the opportunity to fail. So the company's management development program needs to be among the first initiatives of a company aspiring to grow.

Financing

We've all heard about the high percentage of business failures blamed on being undercapitalized. But, how does one reconcile that with the stories of entrepreneurs who made millions with an investment of only a thousand dollars or so? The key is a solid plan, sustainable profit, and an affordable rate of growth. Anyone who assumes that banks will rush in to finance one's growing business never makes that mistake twice (at least not with the same company).

Many people think that growing the business means attracting customers that want to buy the company's products and services. But that is only part of it. Most businesses require working capital to grow (as sales grow, so too does the investment in accounts receivable and inventory). It may be counter-intuitive; but growth takes cash, whereas shrinking generates cash.

Sustainable profit is probably the least understood element of financing. A healthy and growing bottom line is not enough. The profit must be high enough, in relation to the assets required to support the effort, such that the Return on Investment (ROI) is sufficient to attract new capital (either the owners' through Retained Earnings or fresh capital from outside). Unfortunately, CEO's are more apt to know their profit margin than their Return on Capital Employed – a far more important number.

Execution

If your favorite CEO is consumed by the day-to-day challenges of running the business, your friend has a big problem. Unless it is a start-up, the daily tasks belong to everyone else. If the CEO is actively involved in the detailed workings of a mid-market company, he or she may have trouble delegating.

As the company's leader, the CEO's job is huge. It is their responsibility to ensure that the strategy is working; the culture conducive; the people are right for the job and are properly trained, coached, and motivated; the processes are effective; and the organization is monitoring and achieving the desired results. That doesn't leave much time for dabbling in the daily transactions.

It is not hard to see why CEO's turn to trusted advisors. The perspective one can bring from outside of the organization can be truly enlightening to a leader who is enmeshed in the details. The CEO needs to focus on the challenge of the day while maintaining a balance among all of his/her responsibilities. Through careful listening and by asking a few questions, the advisor is able to help the CEO reassess their priorities and become more effective.

To learn more about Financial Resource Associates (FRA) for crisis management or profit improvement strategies, visit www.finresource.com or contact Steve Hancox or Leonard Eppel at:

Office: 513/793-8004
Cell: 513/646-3437