

Due Diligence Rarely Gets its Due

By Steve Hancox and Leonard Eppel, Spring, 2016

Due diligence is not solely within the province of the M&A world. Businesses are assessed whenever there is an opportunity or a problem. Unfortunately, those assessments too often prove to be insufficient, as critical issues are often overlooked.

Success in business requires a keen understanding of the Income Statement, Balance Sheet and other reports. However, any assessment of the business that fails to go well beyond the numbers will likely miss critical insights.

FRA is best known as a workout firm, which makes our expertise in due diligence considerable. Thorough due diligence is an absolute requirement in potential turnaround situations. Due diligence is critical in everything we do; and it is not just the numbers. A complete understanding of our clients' unique underlying issues and key external drivers is necessary when we serve as profit and cash flow improvement experts for healthy companies or when we assist with Strategic Plans, Succession Plans, or M&A opportunities.

FRA looks everywhere for improvement opportunities. We turn a keen eye to every source and use of funds. We don't just look at reports; we talk to people – employees, suppliers, and customers. It is from these conversations that we gain surprising and valuable insights.

Senior managers tell us a lot; but, their employees tell us even more. When we see frustrated employees, we get excited. Workers become frustrated when they see their hard work wasted or when they see others in the organization not working effectively. While they may not understand how to solve the problems, they know what they are.

Reaching out beyond the walls of the business can be equally useful. Too often, management can become insulated from important knowledge that their customers and suppliers would be willing to tell them. While it may not always be appropriate to engage current or past customers or suppliers; when it is suitable, it is almost always enlightening.

For over thirty-five years, our firm has been consistently able to improve profitability and cash flow in companies, many of which were in desperate situations. These clients thought they had exhausted every avenue; yet our listening skills, extensive cash flow experience, and unique position as an outsider have proven that much more can be done.

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:
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