

Weathering the **STORM**

Seven Tips for Surviving the Black Clouds in Business

Attempting to eliminate or prevent all worry in business is a fruitless pursuit. At any given time, we can find ourselves tiptoeing through landmines and navigating unexpected twists and surprises. CEOs and owners who desire to build a business of significance and success often get derailed by what B2B CFO® calls *black clouds*. Take a moment to assess if any of these seven black clouds are haunting your business.

BLACK CLOUD #1: DECISION-MAKING

Making sound business decisions is a critical part of every owner's job and is vital to every company's future. Most owners can quickly gather facts and use their intuition to make decisions. Therefore, having accurate financial information is paramount to the process. Formulating decisions based on accurate and timely information from your financial statements (balance sheet, income statement, and cash flow statement) will fuel growth and operational efficiencies. Poor financial information that creates bad decision-making will negatively impact your competitive lead in the marketplace as well as profitability.¹

BLACK CLOUD #2: CONTROL

Few things frustrate an owner more than feeling a loss of control over the company. Delegating tasks to a trusted employee can help you steer the ship but be cautious in relinquishing total control. We frequently see that loss of control stems from a failure to build a proper infrastructure in core areas of the business such as accounting, computer hardware and software, management data, websites, and backup of data. This leads to employee fraud, which can cost the average company up to 5% of its annual revenue.²

B2B CFO® recommends dividing the responsibilities of staff handling all financial reporting and accounting. Avoid allowing the original version of any important document to leave the company. An owner's infrastructure process should guarantee a backup of key data. Every company of any value should have a well-documented disaster recovery program. Owners might also consider purchasing disaster recovery insurance.³ Protect your company and be careful about the control you give other employees.

BLACK CLOUD #3: TAX DAY

Tax day stirs up plenty of emotions for business owners. Our tax laws are complex and often change each year. Tax professionals warn us of the perils of audits. Penalties for late and erroneous taxes can be stiff and detrimental to our finances and our reputation. Income taxes are, after all, just math calculations. Mathematical calculations can be computed at any time assuming the information being used to make the calculation is accurate.

Your company must have accurate financial statements in order to make accurate financial projections of the income taxes that will be owed. It is recommended that the owner's financial statements be reviewed monthly. You may sleep better at night by delegating your taxes to a competent independent CPA to verify projected taxes quarterly.⁴

BLACK CLOUD #4: OVERTIME

Few companies are familiar with and understand how to correctly calculate overtime.⁵ The Labor Department frequently makes amendments to overtime rules for employers to follow. The penalties for making errors in overtime can be severe. Don't wait until you have been audited and the overtime laws and regulations have been violated. The Department of Labor is powerful. Business owners should understand and comply with the laws, some of which have existed since 1938.



BLACK CLOUD #5: BEING HELD HOSTAGE

Many owners have experienced that demanding employee who makes outrageous requests or even threats (for a salary increase, promotion, time off). A disgruntled employee can hold the company hostage and threaten to leave or cause serious damage to the business. The key to preventing these issues is to identify the potential hostage-holding situation and hire an expert who can create an infrastructure around the situation.⁶ Internal controls and other systems need to be in place so the company can continue to function if the person leaves, either voluntarily or involuntarily. Cross-train whenever possible. Each role should have clearly written instructions on how each job function is executed. Each employee should document any critical information or expertise in their job role so it can be easily shared.

BLACK CLOUD #6: THE BALANCE SHEET

Many owners do not understand the balance sheet. However, the balance sheet provides an accurate statement of the financial fitness of the company. One of the most important (and underrated) lines in the financial statement is the owner's equity. By reviewing your company balance sheet monthly, it provides insights into the company's operations, liabilities, assets, and owners' net worth. Having accurate and timely information on the balance sheet gives certain parties (CPAs, lawyers, auditors, investors, bankers) a clear overview of the company's financial position for decision-making. As a business owner, an accurate balance sheet offers peace of mind knowing that your financial house is in order.

BLACK CLOUD #7: EMPLOYEE PAY

Setting salaries can be a complex and frustrating task for business owners. Are you paying your employees too much? Salaries are typically determined by market pay rates for people doing similar work in similar industries in similar regions. Employees who are paid above market and demand annual raises can hurt the company's bottom line.

Rather than constantly offering a raise where employees are overpaid for services, consider giving periodic bonuses to reward outstanding behavior and results.⁷ A bonus process or pay-for-performance model can improve productivity, motivation, and retention.

The time to weatherproof your business is now. Removing these black clouds that can potentially haunt your business for years will allow you to sleep better, reduce unpleasant surprises, and position you for success. For guidance and best practices, B2B CFO® is here to help!

1. "Reduce the Staggering Costs of Poor Operational Decisions," Gartner.com
2. "How to Mitigate the Risk Of Employee Fraud," CFO.com
3. *The Danger Zone: Lost In the Growth Transition (4th edition)*, p. 123
4. *The Danger Zone: Lost In the Growth Transition (4th edition)*, p. 131
5. *The Danger Zone: Lost In the Growth Transition (4th edition)*, p. 132
6. *The Danger Zone: Lost In the Growth Transition (4th edition)*, p. 134
7. *The Danger Zone: Lost In the Growth Transition (4th edition)*, p. 138