Recently I overheard a contractor in my area of the country talking about avoiding an IRS agent who was in his place of business to conduct the ever-dreaded business audit. Obviously, the owner of this company was not prepared for the confrontation. I could hear him telling his friends about stall tactics such as phone calls made by company partners, false emergencies at home, extra meetings at work and actually hiding. In the meantime, the owner and his accountant were frantically pulling records together while making adjustments as necessary. His attorney busied himself with bringing the corporate minute book up to date and the staff was in hot pursuit of misplaced records.

Contractors and their suppliers and manufacturers all over America tend to use their advisors in emergency situations only. The accountant becomes the owner’s personal gladiator against the IRS; the attorney, their defense against the “suing happy” general public.

However, the primary purpose of advisors is not only to help solve an immediate problem, but also to assist the client by adding value to the bottom line. Advisors are crucial for their positive and creative contribution to the company, versus only maintaining the status quo and keeping the business out of trouble.

But I’m Just a Small Operation

Fees and attitude seem to be the general yardstick for selecting advisors. If the fees seem too high by some arbitrary standard, advisors won’t be used either in person or on the phone. Of course, many feel undeserving of the best possible help because they say, “I’m just a small operation. Who would want to handle my account?” Moreover, some continue to hang on to the same advisors they have had for the last 20 years just because they have always used them, and they don’t know how to identify when that usefulness has ended. Others only work with their buddies regardless of competency. I’m sure part of this is due to loyalty, but in the final analysis, how much does that loyalty cost in real dollars?

A Good Example of Using Advisors Properly

Recently, a contractor in the Northwest with two locations was trying to expand to a three-company operation by purchasing an existing company. He knew that before the deal could be put together, he would need a complete due diligence on the operation financing, legal contracts, OSHA and EPA approved documents, and extensive cash flow estimates. Before beginning the project, this owner called his advisory team together (accountant, attorney, banker), as well as his managers, to share his plans for expansion and to organize the project and each person’s role and objectives.

When the proper time came to begin the process, the team of advisors moved like a highly skilled football team. Fully aware of the company’s plans and resources from the meetings, they acted together to achieve their goal.

Two managers and the accountant conducted a thorough due diligence covering all records, customer lists, personnel, etc. The banker was well informed as to the nature of the expansion and was prepared to extend the line of credit as the situation demanded. The attorney handled the reports for OSHA and the EPA and was prepared to draw up all legal documentation for the purchase. The accountant worked out cash flow projections and the goals needed to achieve a profit. As various problems arose, the appropriate advisor was called upon to handle the situation. All had met three different times to discuss the best strategy for such an expansion. Each advisor supported the other as a peer. Each one knew the total “game plan” and had all the information at his fingertips. All options were presented and explored for maximum use of time and money. Estimated savings for this project compared to

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Interview Questions for Prospective Advisors

**Attorneys:**
* List the advantages of a living trust over a will.
* Would a prenuptial agreement for my son avoid my being stock in my company to an ex-daughter-in-law?

**Accountant:**
* What would be your procedure for placing a value on my business?
* What should I be concerned about in addition to estate taxes?

**Insurance Agent:**
* What are the advantages of whole life over term insurance?
* What is “split dollar” and “second to die” insurance?

**Your Judgment:**
* Did you get straight answers?
* Did you trust this person?
* Was there good, clear communication?
* Were you inspected?

Getting the Most for Your Money

With projects of importance, such as expansion, adding a new operation, major equipment purchase, insurance considerations, workmen’s compensation, line of credit, or government contracts, I strongly recommend that you work with your advisors as a team. Planning always works better when the specialists are able to work together and contribute to each other’s thoughts and analyses.

It is also recommended that you assign someone to be the “Planning Coordinator” for each individual project, someone who is formally put in charge of expediting things, making things move, getting the job done. The Planning Coordinator can be one of the advisors, a manager or a family member who works in the business. This sort of coordination helps to avoid these obstacles: nobody in charge, inconsistent or inaccurate data, and conflicting opinions, prejudices and intentions.

The Planning Coordinator’s role...
You Deserve the Best

In today’s business climate of short margins, increased competition and increased technology, management, financial and legal aspects of your construction business are too complex and too important not to have excellent professionals at your service. The role of your advisor is to be a resource and a servant to you. That service should be pro-

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fessional, prompt, respectful of your privacy and explained in terms you clearly understand—all to help you achieve your goals. However, you must accept responsibility for being clear about what you want.

It’s not easy to change advisors, but when they no longer contribute to your bottom line or help solve problems, it is time to act. Begin your research for a new advisor when the following occur: the advisor is not versed on the latest changes; he cannot be understood by yourself; and responses, by your definition, are not prompt.

Assuming you are ready to move up a couple of notches and seek the best possible advisors in your area, how can you best judge the quality of their advice? In any community, the best know the best. Check out the assessment of the advisors peers by asking those who give advice to business owners who does good work in their locale. Beyond this valuation, ask your prospective advisor what portion of clients are in the construction business and the firm’s size. Ask about other resources offered by the firm such as seminars, news updates or newsletters. Once an interview situation presents itself, be prepared to ask questions that you can use to evaluate the value of their advice. (See Table 1)

Travel First Class

Clearly your technicians should have skills and thorough knowledge about such matters as estate planning, wills, trusts, taxes, insurance, financing and many other issues. But to have the “best” working relationship possible, there must be a “fit” between you and the advisor. It is a two-way street. You must be able to articulate your objectives and provide essential support material, while the advisor needs to go beyond his office skills. Table 2 shows the owner’s and the advisors’ respective responsibilities.

To those who say they can’t afford to go “first class,” just picture the contractor who was so unprepared for an IRS audit that his only retreat was hiding. Then compare the professionalism used by the owner in the Northwest as he worked on his expansion program. There is nothing more costly than bad advice from incompetent advisors, or no advice at all.

About the Author

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