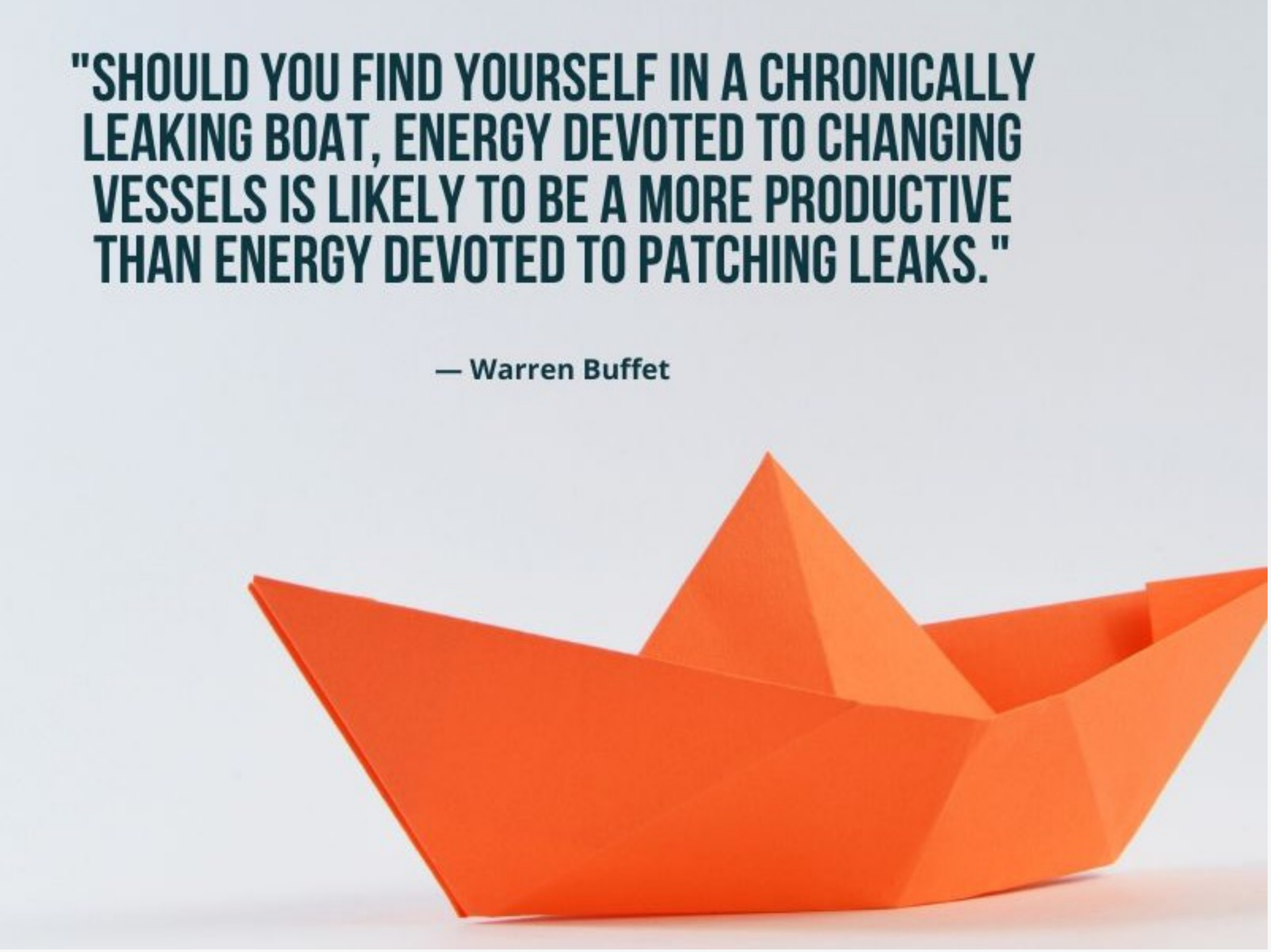
A WORD FROM THE WISE



Sometimes a business line or particular client needs to be dropped because the associated effort or cost is too high to justify continuing. As a business owner, it's crucial to take the time to evaluate your company's operations and identify leaks in your boat.

Can you spot which of your business lines is losing money? Can you tell which of your clients may take up more effort and resources than the business they create?

TRENDS WE ADVISE YOU WATCH

Figures sourced from https://freelancinghacks.com/

How much have you thought about how your business's employment practices are impacting operations and finances?

Now more than ever before, there are a growing number of new employment practices that offer business owners a wider range of options for managing workers. And the impact that a chosen employment model can have on other areas of the business should be a major consideration for owners as they make decisions in regard to their organizational structure and operations. There are plenty of times where the obvious decision is *not* the decision that has the most positive financial impact on your organization.

For example, while it may seem unnatural for a team to operate 100% remotely — a practice that defies the traditional office structure — there are plenty of reasons to implement a fully-remote workforce (if it's something that your business can ultimately allow for). With a remote workforce, there is no need for the company to have a physical office location to host employees. And no office location means no rent or utility expenses. Even if a remote workforce is something that won't be manageable or efficient as your business scales, can you implement this practice for a year or two and save on these expenses?

Or are there areas of your business where a freelancer or contractor could be hired in place of an "official" full-time, or even part-time, employee? And if so, is it worth it? Hiring a freelancer can offer business owners benefits and fluidity in regards to worker payment methods — something that cannot be said for the typically-salaried worker whose only measure tracked for payment is hours worked. Different and more specific measures can be determined for a payment plan involving a freelance worker, which can ultimately lead to a greater ROI from workers. You can implement a typical structure and pay an employee for hours worked, despite how efficient they are, or you can hire a freelancer and determine a KPI to regulate payment that is specific to the project at hand.

Your employment practices are key to your organization, and their effects are integrated throughout all other areas of your company. If you're interested in taking a deeper look at what employment models and practices may be best for your company, contact gershon@imperialgrp.com. And while we're on the topic of strategic employment practices...

IN THE NEWS

The state of New Jersey "has demanded that Uber pay $649 million for years of unpaid employment taxes for its drivers," allegedly due to the fact that the unicorn has wrongfully classified its workers as independent contractors rather than employees. That's a hefty fine that the ride-hailing service will be left with if the state does not decide in the company's favor. But while the state makes its determination in the case, it is important to also recognize that the *idea* behind Uber's practices — a more flexible workforce — can be majorly beneficial for a business. A flexible workforce leaves business owners in a position of greater power managing their company's finances, because it controls costs and reduces overhead, better aligns cost with revenue and supports employee retention.

How you choose to structure your business is a critical decision that has major financial impacts throughout the lifespan of the company, and business owners must consider the benefits as well as the potential pitfalls for all prospective strategies. In terms of cost control and overhead, a flexible workforce allows owners to replace costly fixed expenses with reduced variable costs. When demand for labor increases, a company employing a flexible workforce does not need to be concerned with the high costs associated with hiring an additional full-time employee. This also permits costs to better align with revenue, as labor can be carefully and specifically employed in cases of high market demand (and thus greater revenues) — Uber is never paying a worker who is not actively making them money. In regards to employee retention, a flexible workforce allows companies to offer non-financial benefits that appeal to a wider pool of talent. Uber can promote the flexibility it provides workers with to attract individuals near retirement looking to lessen their work hours as well as it can attract individuals brand new to the workforce, looking for accommodating "side-gigs." And given that soon five generations will be represented in the workforce, an employment model that encourages variability among workers will be more beneficial than ever before.

Despite all else, it's indisputable that Uber's employment model has aided in the brand's success up to this point. Of course, both ethical and legal ramifications should remain top of mind for business owners as they make major decisions, but innovative thinking and strategic thought should be employed when assessing potential employment practices to reveal hidden solutions. Could Uber have found a way to adopt an employment model that allowed them the same flexibility of contracted workers, without landing in hot water?

Read more about Uber's situation here.

HAVE YOU HEARD?

Wow! You just landed Walmart as a client. You're all set now — right?

Well, maybe not. As a business owner, it's critical to carefully manage your client portfolio and to understand that just having a lot of clients or landing a high-value, "brand name" client does not mean your client portfolio is as good as it could be.

In some instances where risk management is not taken into account, a seemingly thriving portfolio may be on the brink of disaster.

This was the case for Dean Food's, who recently declared bankruptcy after losing business from Walmart, who made up 15% of the company's total sales in 2018.

You can read more about Dean Food's situation and how the implementation of risk mitigation could have made all the difference here.

Got Milk?

Published on November 26, 2019

Gershon Morgulis, MBA
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Over the past 10 years, milk sales have gone down by 18%. Cold cereal sales are trending down too.

In light of this, it should not be surprising that Dean Foods, the largest milk producer in the country, recently declared bankruptcy. With less milk being sold, a large milk company would naturally suffer.

Nevertheless, the situation with Dean is not simply a case of the market contracting over the years — Dean Foods did multiple things that set them up for this day.

ABOUT IMPERIAL ADVISORY

IMPERIAL ADVISORY

Imperial Advisory is a financial consulting firm for enterprises and businesses. We provide clients with outsourced-CFO services, conducting & facilitating analyses to help founders, owners & CEOs better understand the financial implications of business decisions. We also consult on strategic and long-term business planning.

Have a question about your business' strategy? Trying to understand the financial impacts of a large upcoming project? Contact us at ***info@imperialgrp.com*** *to see how our outsourced-CFO expertise can help you.*

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