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MY LEGAL DEPARTMENT

Larger companies often have the luxury of hiring staff lawyers and other in-house professionals—accountants, finance directors, risk advisors. With professional advice available with a walk down the hall, looking at a new venture or analyzing a potential problem can be handled quickly and with a minimum of lost time. Unanticipated legal or tax consequences of a business decision are less of a threat.

Closely held businesses, especially startups, have to take care in using available cash to buy professional services on an hourly basis. Purchased advice is certainly not used economically when a lawyer or other professional has to use his time and your money just gathering information about your business and obtaining background facts. Economies of scale suggest that regular relationships with a business lawyer and other professionals can approach the comfort level of in-house professional staff.

Less experienced business owners may believe that “shopping” for legal and other professional services and spreading their business around will result in economy and build good will. There is also the misconception that professional services are a commodity best bought at the lowest unit price.

A lawyer, accountant or other professional is in a much better position to economically provide prompt and sound advice to a business client whose business structure, style and commonly encountered problems are already understood. Similarly, the business owner's familiarity with the professional's expertise and methods facilitates good communication and usually results in a more efficient and consistent delivery of results. This saves both time and money.

I suggest that establishing relationships with a business lawyer as well as with an accountant or other tax professional should be among the very first steps a startup business takes. Selection of a business structure and establishing a good accounting system is critical to moving any business forward. Understanding legal risks and financial needs puts the business in a position to select and work with business insurance professionals and lenders.

As a successful business must be driven by the bottom line, the lowest professional hourly rate is rarely the best buy. A cut-rate incorporation process, for instance, will not seem like such a bargain when it is belatedly discovered that another business entity is a better fit or that additional advice and documents are needed to make your business plan work. An experienced lawyer concentrating in common areas of business practice will not need to research every issue, but will be in a position to spend the purchased time resolving the client's legal issues rather than educating the lawyer.

Don't be afraid to ask for specifics from the professional as to his or her experience in the types of matters for which you will expect to need regular advice. A confident lawyer will not hesitate to make referrals to someone with other areas of expertise when doing so would be in the best interest of the client.

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Availability is also critical. Granted, you can't expect your lawyer and accountant to sit around waiting for you to contact them or to drop other client matters to heed your every beck and call. However a good professional should promptly return telephone calls and, if not available to timely address your problem, make a quality referral.

In seeking a lawyer or other professional the best sources of referral are other business owners and other professionals. A good follow-up is a review of the referred professional's website.

A close professional relationship with your lawyer, accountant, banker and insurance professional will better serve a busy small business owner than using time to repeatedly shop for services. I also caution against attempting to provide your own professional services—especially with “cheap” internet alternatives. If your time has so little value and you have so much of it on your hands that you can spend hours providing your own support services, perhaps you should think about where your business is going. Your carefully planned business goals deserve your full attention.

-Dennis O'Toole