

Is Your Company Transparent?

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Managing an oilheat company sometimes seems like standing alone on top of a remote mountain peak while being buffeted by strong winds and driving snow from all directions. A familiar feeling? Okay, now be prepared to stand on the mountaintop completely naked.

There is a trend in the business world toward full “transparency” when it comes to finances. Actually, it is more of a movement than a trend, and it is coming our way. Your ability to borrow money for capital improvements, new equipment – even to finance ongoing operations – will soon depend on your willingness to openly share your company’s financial data.

It is called *enhanced business reporting*, and, if used properly, it can help you better manage your oilheat business. The open nature of enhanced business reporting is made possible by computer software called XBRL (extensible business reporting language). XBRL is already available and in use.

By revealing the underlying costs of various business activities, enhanced business reporting enables you to make more informed and timely decisions about your company and its operations. Our firm does this on an annual basis for our clients and other fuel oil retailers with our FuelTrack™ management analysis report. But enhanced business reporting brings this information to your desktop on a “real time” basis, giving you a remarkable management tool.

For example, if you were able to determine – on a weekly basis – that your service department payroll was costing the company more on a percentage basis than last year, you could adjust hours and reassign service techs to bring your costs back into balance. Or if you discovered that your insurance costs were well above industry average, you might be able to implement changes to reduce your risks and lower your premiums.

There is almost no end to what you can track, measure and compare. Which can lead to a problem – information overload. It is critical that you determine which performance indicators and numbers you need to review on a daily, weekly, monthly or annual basis. Having too much information can keep you from seeing the “big picture” clearly.

Naturally, there are other people who would like to take a peek deep into your company's financial data. Enhanced business reporting also makes it possible to share your data in real time with other, select parties. In fact, some will insist on your sharing.

Who wants to see your financial data? Your bank, for starters. Instead of handing over a huge wad of money in the form of a loan, then hoping you will be able to pay it all back, your bank in the future may track your operations on a nearly "real time" basis, doling out the funds you need, as you need them.

Others who are likely to expect access to your newly "transparent" financial records will include your investors and shareholders, the Internal Revenue Service and state tax authorities, your major vendors (especially your fuel wholesaler, who has the most at risk) and, of course, your accountant.

If this is all new to you, it is time to begin investigating how you will convert your company's financial system to XBRL in order to enable enhanced business reporting. This migration will be as important to your business as the shift from paper ledgers to computerized records. Please call my office or drop me an e-mail if you have any questions about the new "transparency" requirements and how they will affect your oilheat business.

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