

Ready for Downsizing?



Consider Your 3rd Party
Business License Options

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Executive Summary:

- Business license compliance is difficult to maintain during economic downsizing. That puts many companies in danger of paying penalties and closing locations when they lose key personnel.
- Maintaining the integrity of business license portfolio data can mitigate the internal risk to a company and dedicated business license software can make that job much easier.
- Engaging a 3rd party business license compliance provider can be a cost effective solution for companies that are otherwise cutting costs during recessions.

The Roundtable Discussion:

Andrea Jaffe is VP Operations for Licensing at Business Licenses, LLC. Eric Feigenbaum is Director of Business Development at Business Licenses, LLC. Alan Ruttenberg is Marketing Director at Business Licenses, LLC. They recently met to discuss how departments that manage business licenses are coping with potential downsizing during the COVID-19 induced recession. The entire conversation has been lightly edited for clarity.

Alan: Eric, you've had so many conversations in recent days with companies that are dealing with downsizing. What have you been hearing?

Eric: Well, the obvious context is that the COVID-19 lockdowns are showing up in the bottom line of many companies and that makes downsizing an omnipresent threat in the lives of a lot of tax, accounting, and legal departments. That means a lot of them are trying to figure out how to handle their compliance with fewer people. And the people who remain are people who've never been on the front lines of this before. Many of them are high-level managers who are being saddled with the responsibility that used to be delegated elsewhere. Now they own a set of issues about which they know very little to nothing.

Alan: I think the simplified story goes like this: You used to have a certain number of people in your tax department and now you've laid off 50% of them and so everybody has to do twice as much work to get by. That's part of it, but there's something else going on that's harder to put a finger on. My contention is that business licensing is not like other tax, accounting, or legal issues since it's so idiosyncratic. When you downsize and are now without the person



who handles business licenses, you're losing that person's unique knowledge which they didn't acquire from a degree program (like an accountant) or a formal certification (like an attorney). It came from trial-and-error. It came from experience with your company's unique use case. It's not replaceable in the same way.

Andrea: I think you lose knowledge in a couple of categories. There's internal knowledge of process/workflow and there's the understanding of laws and regulations, which isn't the same as what an attorney deals with in legal cases and liabilities. And then there's also the loss of a lot of the idiosyncratic rules and processes that various government agencies require in their licensing. In other words, New York doesn't handle business license applications the same way that Tampa handles business license applications. All of that knowledge gets wiped away when the person who handles business licenses is forced to depart.

Formal expertise can only make up for some of that loss. Being a certified CPA, for instance, is a useful background to have when working in this field, but business license management is definitely not part of that precise education. It's something that individuals, often non-professionals, have to pick up through practice. If you lose an accountant, another accountant can probably pick up the process. If you lose an attorney or paralegal, another person in the legal department can probably pick up the slack, however painful the workload may be. But when you lose someone in licensing, their job responsibilities don't transfer easily.

Eric: And when they don't transfer easily, somebody panics. Managers don't have time to learn the craft and figure out where things left off. They just need someone to pick it up. They start to wonder if we can provide them the same services they just eliminated since they otherwise don't have expertise available to them.

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Andrea: That's one of the reasons why our company exists in the first place. It's to compile a lot of knowledge into our service offerings to try to give people a leg up. We enable them to bypass having to learn these things through the cumbersome process of trial-and-error.

Alan: I once suggested in a webinar that the best practice when your business license expert leaves your company is to use a time machine to travel back about six months so that you can collect all of their knowledge and standardize your business license portfolio. However, if it turns out that time travel hasn't been invented (yet), you should give serious consideration to outsourcing the work. It's been my tongue-in-cheek way of saying that there are concrete ways to mitigate risk ahead of economic downsizing. Most companies are not ready.

Eric: Working with a 3rd party is one of the most common directions that downsized tax, legal, and accounting departments go when they realize they're not ready. The rub can often be that for the same reasons that they're letting people go, the budget to outsource may not be present. So sometimes they're caught in a double bind internally. If the cupboard is truly bare, they can start licensing a software solution [like BLMS](#) which will at least enable them to get their portfolio in decent shape. It's a valid option for those people who are a little more budget conscious and are looking to create a solid infrastructure for their business license portfolio. But if downsizing has crippled their ability to maintain their compliance and they're staring down the barrel of some upcoming deadlines* and they have no training or context, outsourcing is the quickest solution. Our team can get their portfolio sorted quickly with a very



high degree of confidence.

*(*Editor's note: Those deadlines are not going away! Licensing authorities have been admirably understanding up until now during the pandemic, but it's a safe bet that they will be enforcing their business license ordinances. Given the revenue hole many of them are in, they will also often be increasing their business license fees and instituting new regulations.)*

Alan: I've always understood our onboarding time to be as little as 1-2 weeks and as much as 6-8 weeks depending on circumstances. Andrea, you would definitely know best.

Andrea: The single biggest variable in getting a company ready for us to fully manage their business licenses is the integrity of their data. We can tell before a contract is signed whether or not it will be a quick onboarding or a plodding process full of starts and stops. We are always transparent about that in the contract negotiations.

The best organized portfolios have licenses clearly associated with locations and a set of data points that are consistently filled in. In other words, not a lot of blank fields. There is some specific data that I always want to see at a minimum – license type or title, license number, issuing authority, due date and expiration date, and the associated location. There are other desirable fields, but those are the critical ones. If there are a lot of blank cells or spotty coverage, we know it will be difficult.

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We also know it will be difficult if we have a lot of data filled in but the due dates are old relative to the current date – like if the expiration date says 2019 instead of the current year, we know that there will be complications. I also always check to see if there are a lot of inscrutable abbreviations, codes, or explanatory notes. Having a lot of that also makes it hard to decipher what is going on.

Alan: I imagine that the “inscrutable” abbreviations and notes are probably remnants left over from the business license manager that got laid off?

Andrea: That's a perfect example of how business license expertise fails to transfer.

Eric: Let me reiterate that if you're already working in a structured platform [like BLMS](#), then your data is most definitely going to be in good shape and ready for easy portability. It will serve the same function as that hypothetical time machine that Alan was joking about a few minutes ago.

Alan: If Eric is framing this conversation as a choice between software and 3rd party management, then I'll interject and point out that we once did a [webinar](#) in which we plowed through various use cases and literally debated live which solution would be most appropriate – licensing BLMS or 3rd party outsourcing. People should check it out. It was very popular.



Eric: That was a good one. But we didn't specifically address downsizing, especially since it was before COVID-19 and the massive economic reverberations from the lockdowns. Now I think the best advice possible is for companies to really make sure that their knowledge base is secure so that things are done with quality and continuity. And give outsourcing real consideration, even if your budget is tight. One of the silly things about large corporations, having worked in them myself for many years, is that head count is allocated often without respect to other budgetary costs. So if you can't hire because there's a hiring freeze and you have no head count available to you and maybe you can't even backfill, then you might be able to spend more money on a 3rd party solution than you would have on hiring, even if it made more economic sense to hire.

Alan: It's straight out of a Dilbert cartoon, but it's common. Andrea, what's your biggest takeaway?

Andrea: I would just add that depending on the portfolio size, even outsourcing can be very cost effective. We bring our economies of scale to bear on pricing every engagement, so each of our clients gets the benefit of our overall efficiencies and knowledge base. It's also important to recognize a lot of ancillary and intangible costs that are not as easy to identify as something like salary. Treasury management and administrative cost savings are also factors, but they are harder to detect. Both outsourcing and software have multi-dimensional benefits that we can highlight. We welcome the opportunity to consult with any company that is evaluating how to best manage their licensing process at this time.

“Depending on the portfolio size, outsourcing can be very cost effective.”

Alan: Thanks everybody. My last comment is the same as always during these interesting times. Stay safe.



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