

Recovery: A Step by Step Guide



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MY COMPANY IS STRUGGLING – WHAT SHALL I DO?

1. **Know your assets & liabilities** – Make sure that you have pulled together all paperwork which evidences the current financial position of the Company, then put this into an order where your assets and liabilities are listed and totalled. This will give you the true position in black and white, rather than a best estimate, which may not be accurate or prejudiced by your own view of the situation
2. **Deal with pressing creditors** – You should strive to contact any creditor that is pressing for payment and agree a repayment plan with them. Care should be taken to pay only what is affordable based on current income and not on potentially over-optimistic projected income, because any defaulted payments under the plan will further jeopardise your relationships with your most pressing creditors. You should also be mindful that failure to pay could result in legal action, which only ever increases debts and removes control from you, so this should be avoided at all costs.
3. **Cost cutting** – Go through all the costs to the business, whether they are fixed (to the Company generally) or variable (to certain services or products) and see if any savings can be made. This will usually include measures such as sourcing new suppliers, cutting staff, downsizing premises or selling assets. If you have recently increased your sales, you should ensure that the increased turnover has resulted in more profit, not less, as many a small business will fail due to overtrading (bigger is not always better!)
4. **Review your profits** – Although this is something which periodically needs to be completed with your accountant due to the complex nature of the task, a simplified version is just as useful in these circumstances. I suggest a ‘back of the fag packet’ calculation whereby you simply calculate what you bring in from each product/service minus the costs you incur to sell that product/service, and then (depending on whether you want to target the largest earners or the best earners per expenditure) rank your products/services in order of best to worst and then turn your focus to selling the better ones. If cash flow is tight, focus on the products/services where your costs are lower (even if the profit is less), as this will ease cash flow pressures and may assist the business in continuing to meet obligations to creditors for the time being.
5. **Plan for the future** – Dust off your business plan and update it, as this simple exercise can help you focus on where you want to go. This should also include a cash flow statement to highlight any tight months or issues likely to arise.
6. **Protect yourself against bad debts** – By this, I mean that you should attempt to spread your work as evenly as possible among customers, such that you are not overly reliant on just one or two major customers or contracts for the majority of your income. By doing this, you will improve your chances of coping with bad debts should they arise.
7. **Consider your systems** – Review your procedures to ensure they are efficient. Does your money come in on time? If not, then consider employing a collection company or otherwise changing your procedures to better improve the returns and cash flow.

8. **Own or Lease?** – Review your assets and consider whether any can be sold, with the option of leasing alternatives as and when required (remembering to add on the lease costs in any future quotations). Often selling high value assets, then leasing back new equivalents can not only release significant funds but can also increase productivity as a result of the increased efficiency of the newer equipment. Therefore consider this in your business if relevant to you.
9. **New income** – Whether this be finance, factoring, invoice discounting, tax refunds or rent, make sure that you have considered all ways to bring in further income to the business and if necessary, ask a professional for advice.
10. **Review your competitors** – I recommend that you research what your competitors are offering so that you are clear on how your business is different. Be clear on your unique selling points and if your quality or price is better, make sure to shout it from the rooftops.
11. **Marketing** – Most business coaches and consultants alike will say that for a successful business, you must ensure that your marketing is right, I therefore recommend that you review your logo and any literature you give out to ensure that your brand is suitable for your business. Then, ensure that you spread your net wide by undertaking a number of different marketing campaigns (to see what works best for you). This could include advertising, websites & SEO, networking, special offers, a newsletter or telesales (you don't know until you try!). However, one key point I would make is that you should ensure that you work *harder* and not *longer*, meaning that you are as productive as you can be with your time. Contacting customers for referrals, and up-selling to existing clients, provides a quicker return than trying to source completely new customers.
12. **Incentives** – Now I know that paying more money out of your business doesn't seem to make sense, but the benefits you receive from motivated staff can be phenomenal. Therefore work hard to ensure that your staff are working to their full potential and feel rewarded for their best performance.
13. **Delegate** – Ensure that the correct staff are completing the tasks most suited to their ability and level in your organisation, because after all, the best business is one which you do not have to work in every day.
14. **Call in any favours** – If you have helped out a contact in the past, supported a particular staff member or helped an associate, now is the time to call in the favour. The support of these parties is often vital to recovery, so do what you can to obtain this support if feel assured that your business is viable in the long term. Unfortunately, far too many of my clients will proceed to formal insolvency as a result of business owners burying their head in the sand, so make sure you tackle every issue head on.
15. **Ask the professionals** – If your position is urgent or complex and cannot be improved by your implementation of any of the above, or if you simply need some support, then make sure to contact a professional adviser who can provide guidance tailored to your particular situation.