

Know When to Hold Them, Know When to Fold Them...

By David Lewis

Most business owners assume they will go out on top when they are ready. They think they will sell their business at just the right point and cash out like a poker player who walks away from the table after winning a huge pot; rarely is this the case. All too often the business begins to struggle over time and the owner does everything possible to save it. Although it may seem noble to fight until the bitter end, serious financial consequences may result from such a strategy.

As problems begin to occur, it is necessary for the business owner to go through the exercise of cutting unnecessary expenses and improving cash flow. If these efforts prove unproductive, many owners start to make serious mistakes in judgment, and the most common response to such a situation is to battle on hoping things will change. This reaction can be driven by both fear and pride. Business owners must focus on what they stand to lose, not on what they may have already lost.

The business owner must make an honest assessment on why the company is in distress. Simple problems such as pricing incorrectly or buying too much inventory can often be corrected over time. Some problems are much more pervasive and serious and less likely to respond to typical turnaround strategies. Infrequently, sudden events like major shifts in customer preferences, natural disasters, or losing rights to a key location can create insurmountable problems. More likely and more often problems occur over time and directly involve the business owner with issues such as a lack of strong business skills, background, education or level of commitment that was needed to be successful in the long term. Other times, problems caused by changing family issues stand in the way of continued success.

If these problems go on unresolved, severe personal financial difficulty is likely to occur and bankruptcy is the final result in many of these cases. However, if a business owner

can recognize the problem early enough to swallow his pride, he can often avoid such an unpleasant end. Voluntary liquidation of a business venture can be a very viable alternative.

There are three steps involved in a voluntary liquidation. First, meet with both your accountant and attorney to make them aware of your decision and seek their guidance. Secondly, assess all of your assets and have them appraised to give you a better idea of the level of funds you may reasonably be able to generate with a planned and controlled liquidation. Lastly, and most importantly, present a plan to each of your creditors consisting of a lump payment and/or payment plan proposal. Many creditors will accept your offer in an attempt to avoid the legal expenses and time delays associated with bankruptcy.

Often there is a very fine line between losing your business and losing everything you own. It is easy in hindsight to see where that line was, but when you are the owner of a com-

pany in financial distress, the line is often blurred. At some point, all things, good or bad, must come to an end and businesses are no exception. Know when to hold your hand, and

Business Sense



don't bet your financial future on a business that cannot be saved.

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