

Solutions in the business world
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Businesses are likely to face increasingly tough times as the prospect of higher interest rates, increased taxes and additional regulation loom large in the corporate calendar. Set against a decline in consumer spending, conditions could become difficult.

The amount of pressure on individuals who run or own businesses in trouble cannot be underestimated. If the business cannot be turned around then the picture could be bleak indeed. In this situation, a skilled turnaround specialist can make a real difference to the chances of a business surviving its immediate difficulties and becoming profitable again.

However, directors may at first be reluctant to involve an outsider because of worries about cost or loss of control, or even out of fear that this would make Administration or Receivership more rather than less likely.

All professionals dealing with corporate rescue know that the sooner directors seek advice, the more likely it is that a rescue will succeed. This is even more likely if the management involve someone with real experience of dealing with a business in crisis. The skills and knowledge needed to guide a business in trouble are highly specialised and the existing management will probably not have them.

Unfortunately, there are few, if any, restrictions on people calling themselves 'company doctors' and the troubled business is likely to receive unsolicited mail or telephone calls from people describing themselves in this way. Many of them may offer little or no benefit to the company, which really needs skilled professional help.

Talking to existing advisers, such as solicitors or accountants, is always a good start. Directors can feel embarrassed about seeking help, particularly if there are unpaid fees, but this is a mistake. Business advisers would always prefer to talk to a client in difficulties and try to help find a solution.

The existing advisers can help put together the team needed to sort out its problems. This may well involve bringing in a person who could act as an independent executive providing the skills needed. This would probably be a member of the Society of Turnaround Specialists or an Insolvency Practitioner whose professional bodies both monitor and regulate its members.

Taking advice in this way will ensure that directors comply with the stringent obligations imposed on them when a company could be trading whilst insolvent.

The real advantage to management in bringing in a professional specialist is that they will increase the likelihood of the business resolving the long-term underlying problems which may have contributed to its immediate difficulties and, once these have been stabilised, the management and their advisers can work together to resolve those problems and increase the strength, profitability and value of the business for the future. In the meantime, the management will have the assistance of people who deal regularly with businesses in difficulty and who can help the business cope with the pressures and demands which they will be facing.