

Recovery: A Step by Step Guide



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Running a business can be tough. Business owners can constantly find themselves wondering why they aren't seeing the returns that their match their efforts, especially when trade appears to be busy. But it is important to mention that you're not alone here. We can all become busy fools or be blinded by the obvious as our businesses start running us (instead of the other way around). Therefore, don't fret, this guide is here to give you a few key pointers to consider, which will help you evaluate and review your business in full and once any areas of improvement are highlighted, you can systematically work through the points to make incremental changes that we hope will add up to business recovery.

Unfortunately, it can also highlight that recovery isn't achievable, especially if the review process is undertaken too late and therefore if you find that business recovery is a step too far, please do not hesitate to contact Bridge Newland and we are specialists in dealing with insolvent companies and we can put you on the right track to rescue the good parts of your business should an insolvency process be required.

See below our step by step guide on business recovery...

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. Secondary to this is also ordering them in priority of how pressing they are (see below).
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. This can be calculated based on the businesses current income and expenditure and care should be taken to make sure repayment offers are not 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 a failure to pay could result in legal action, which often increases the debt amounts, when interest and charges are added and this also removes control away from you, so this should be avoided at all costs. Whilst one debt may be newer than others, if they are threatening legal action, such as CCJ's, a bailiff or a winding up petition, then that creditor would be considered to be the most pressing and should be prioritised over older debts, for the good of the business.
3. **Cost cutting** – Go through all the costs to the business, whether they are fixed to the Company generally (such as rent or utilities) or variable (such as specific costs attached 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 also ensure that the increased turnover has resulted in more profit, not less, as many a small business often fail when they expand but the increases in costs are greater than the increase in sales, resulting in being busier but making less profit (or even a loss). This is called overtrading.
4. **Review your profits** – I would recommend that you regularly review the profits you make per product or service that you offer as many business owners sit down and compare their total turnover to their costs and what profits they may overall (if any) but they fail to work out which product or service makes them the most money. Knowing this can accelerate your recovery greatly as focusing your energy on selling more products or services that make the

most money and eliminating products and services that make a loss or low profits, together with reducing energy put into low profit making ones can be a valuable exercise. I'm sure you will have seen programs like the hotel inspector where Alex Polizzi goes into a struggling hotel and restaurant and asks them their occupancy rate and devises schemes to get their rooms more booked out, together with producing more food and less efforts into wet sales. This is all because rooms make the highest margins if sold, followed by food, then drink (especially alcohol if supplied from breweries produce such low margins that they should almost be considered as loss-leaders just to get people in the door so you can sell the high margin products and make some money. The challenge with calculating these is whether you attribute some of the fixed costs to each product/service in your calculations or just remembering to factor in every possible cost that may be incurred if that product/service is sold as it is quite easy to forget that some require more staff to sell, or more floor space etc. In completing this part of the review, you may also want to consider if some products take more time to sell or are a greater drain on cashflow as there is no point in pushing a product/service, because it is a higher margin, if you don't have the cashflow or time to cope with a focus on selling it.

5. **Plan for the future** – Dust off your business plan and update it, as this simple exercise can help you focus on what direction you eventually want the business to go down. This should also include a cash flow statement to highlight any tight months or issues likely to arise if your sales are seasonal or greater costs are incurred at certain times.
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. This is one of the largest causes for companies failing as they take on contracts that are considered the holy grail, only to find that those customers are often the worst payers or the contract ends up being loss making and not what it was cut out to be.
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. This same review also applies to the technology you use to run the business because there are systems with ever increasing efficiency out there that can be used if properly researched, such as AI or paperless documents, digital signatures etc all of which could increase sales and decrease costs.
8. **Own or Lease?** – Review your assets and consider whether any of the Company's assets can be sold, if no longer required, or whether the option to lease the same asset is available as any sales can give valuable rest bite to cashflow shortages. 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 finance** – 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 regularly 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 send 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 here is that you should ensure that you work smarter and not harder, 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 you know that increasing sales but keeping costs low is the standout aim here, consider offering incentives to your staff to get their help to achieve this. You will find that in turn, this also helps to motivate staff and motivated staff can be a phenomenal tool in achieving business recovery. Are your staff working to their full potential, have you rewarded them correctly for their 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 you 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.

Now get your head out of the sand and tackle one small point at a time! You were the right person to setup your business at the start of your journey and that hasn't changed. Its time to be proactive and stop worrying about things you can't control. Simply seek to focus on the things you can control and watch change happen in front of your eyes. Good luck