

# Introduction

**B**usinesses that are failing today are failing for the same reasons that caused businesses to fail in the past. We can learn from the experiences of those who have failed before. Equally, there is much to learn from those who have successfully restored their businesses to good health. Some of the most successful businessmen in history have failed in business before they ultimately succeeded. Walt Disney's first animation company went broke. Henry Ford's first two car companies failed. Bill Gates' first business venture failed and a number of Richard Branson's Virgin spin-offs have also failed. For these people, and many others, business failure has been a character-building experience from which they have learned – and from which they have rebounded.

But let's be honest here. For the vast majority of business owners and managers whose businesses have failed, the experience has been a debilitating one. The most difficult position a businessperson can find themselves in is when their business is on the brink of collapse. It is a time when managers are faced with having to make some of the most difficult and unpalatable decisions of their lives. Yet, it is a management experience for which no training is provided. Very few managers have any experience in managing these situations.

A business in trouble can damage staff morale, disrupt business operations and destroy business relationships. It can be a period of great stress, often one where managers are confronted with uncertainty, conflict, harassment, and legal threats, while also having to deal with the myriad of complex issues that can emerge, both professional and personal. You may find yourself not only fighting to

save your business, but also fighting to save your staff, your home, your family and your reputation. The very serious consequences of business failure make it an experience to be avoided.

By far the most important step in managing a business that is in trouble is to recognise and acknowledge the problem as early as possible, and be honest with yourself about the fact that there is a crisis to be managed. The biggest mistakes you can make when your business experiences problems are to deny that a problem exists or to assume that the situation will correct itself. You should not wait until your bank knocks on the door to take decisive action. Nor should you expect that your suppliers, customers and financiers will continue to support you if you don't take action. You must be proactive in securing their support.

A business in trouble usually presents a range of issues that often require urgent attention. By the time a business gets to the point where it is clearly in serious trouble there are rarely any easy solutions. There are times when the problems confronting a business can seem insurmountable. Sometimes they are insurmountable – but not often. In most cases there are strategies and opportunities available that can provide solutions. There is usually no quick remedy. Turnarounds can take time and always require significant effort and total commitment.

It is important to manage the situation, rather than allowing the situation to manage you. It is easy to fall into the trap of fighting scrub fires while letting the house burn down. You must effectively manage your business if you wish to retain control of the business. That doesn't mean there isn't a place for professional advisers (including, in some circumstances, administrators appointed by you) in developing and working through your turnaround plans. In fact, I would strongly encourage you to take advice from experts both as a source of strategic advice and to give credibility to your turnaround plan. It

simply means that you should make the key decisions, using these professionals to your advantage, as part of a considered strategy to successfully turn your business around.

Your approach to resolving the problems you are experiencing must be disciplined and structured. If not, the stresses of your situation will distract you, weaken your resolve, and potentially lead to a disastrous outcome. There will be significant emotional pressures working against you, stresses and emotions that you will probably not be familiar with and that you may not be well equipped to handle alone. These should not be ignored. It is important to share the burden and seek support through this difficult time.

Successfully turning around a business requires the application of both a different mindset and a different skill set to those that apply to running a business under normal circumstances. The manner in which you handle the difficulties that confront you, or will confront you, in these circumstances will define not only the future of your business but, in all likelihood, your own future for many years to come.

The message here is that you must act decisively and take the initiative to understand the problems, develop a plan and drive the resolution strategy relentlessly until you succeed. The fact that you are reading this book means you are astute enough to acknowledge that your business has, or may have, problems that might lead to failure if those problems are not addressed.