

What to do when the business dies

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Bob Pettit, Midlands area manager for the Small Business Development Center, talks about when it might be time to close the doors.

Good business managers know that the party is over well before it is time to close the doors.

They read and study their financial reports at least once a month. That way they know when the business is experiencing a decline in sales and by how much.

They will notice other things, such as eroding profit margins, or an ongoing monthly increase in inventory.

Brian Hamilton, chief executive of financial analysis firm Sageworks Inc. says, "85 percent of business failures can be attributed to a failure in understanding financial statements."

But some business did not get off on the right foot. More than 45 percent of businesses that closed during the past four years did not have adequate startup capital, according to the U.S. Small Business Administration.

When failure occurs, closing usually will take one of two paths:

- You notify all federal, state and county agencies that you have been dealing with of your closing date.
- You hire a good bankruptcy attorney -if you're defaulting on loans or contracts.

In 2008, the 16 S.C Small Business Development Centers saw 2,286 clients for counseling. We estimate that about half were hurting financially.

And about 10 percent had seen the handwriting on the wall and wanted advice on how to close their business.

With the recent economic recession, many of our clients are seeking additional or alternative ways to generate money, particularly by selling to the government.

But, selling to the government shouldn't be viewed as a panacea to help an already failing business.

The government isn't interested in purchasing from a startup. A business needs to be at least two years old before even beginning the registration and certification process.

Likewise, the government isn't interested in buying from a business that is losing money. Selling to the government won't save a business that is already in financial trouble. Preparing and submitting bids can take a huge amount of time and effort.

And, the government can be slow paying. This means that a business that is having cash flow problems probably shouldn't expect that selling to the government will happen quick enough to help, and in fact, might make cash flow even more difficult.