

## What you must never do when faced with a “Cash Crisis” ...

Nobody can really appreciate the stress that an owner manager comes under in times of severe financial pressure it is horrendous! That said what must not happen is the Ostrich effect! Never bury your head in the sand and hope the problem will go away because it won't!

Each situation is different for different businesses, however, the common principles are common to most situations.

Here is what you **must** do.

- Do not act like an Ostrich confront the problem and list the difficulties
- Let your Bank know, they are very experienced with companies that suffer cash difficulties to the extent they often have a specialist Lending Support Team to add value.
- Try and negotiate more favourable terms with suppliers
- Have all the debts which are due been collected? Where they have not contact them and put them on notice that you will commence proceedings against them.
- Keep the Preferential Creditors (“The Prefs”) on board these are two creditors you should not mess with!
- What is going wrong? is it a long term problem (loss of market, collapse of supplier) in which case is it possible to make a fundamental change in the way you do business to ensure future profitability. In almost every case there always needs to be a fundamental change for the future business to succeed.
- If it is a short term problem i.e. over reliance on one large customer who will only pay when the job is completed or is suffering cash flow problems himself. Try and negotiate easier payment terms for him and therefore you! Use your creditors more as a longer source of credit if you can get away with it
- Is there an asset in your business which is not working hard enough or an asset which can be sold without radically effecting the business (a parcel of land, plant and machinery)
- Finally you must **never give in** for as long as you have a business somebody may be interested in buying you or helping you.