

How come nobody noticed ???

Businesses don't usually simply collapse overnight. A good business collapse takes time. That being so, the question has to be asked as to how come nobody noticed that things were going off the rails, and how come nobody did anything to fix the problems before it was too late. Surely the role of good management is to be part of the solution rather than part of the problem? Perhaps the answer is as simple as the managers just didn't spot the signs and remained ignorant of what was truly happening. It is a truism that business demise is caused by management inadequacy.



Whether we own or run a business; whether we are looking at investment or purchase; whether we are looking at employment or considering extending credit terms; there are many circumstances where being alert to some of the early warning signs of a business collapsing could be very useful;

Some of the more common warning signs of a failing business are:

1. Failure to articulate strategy: if the bosses can't make it clear, how can anyone understand how to implement it?
2. Loss of key customers. You know how hard it is to win and maintain key customers – losing one is a serious mistake.
3. Increasing tension with key stakeholders: whether it is credibility with the press, disenchantment with the unions, or disaffected staff, external mismanagement of key stakeholders is only the tip of the iceberg.
4. Failure to meet deadlines: if the company is not hitting external deadlines can you imagine what is happening internally?
5. Inability to prioritise: if the business can't choose the right priorities the wrong ones soon creep in.
6. Director and or senior manager churn, particularly within the CEO and CFO functions. Do they know something others don't?
7. Embarrassing complexity or opaque transparency. Keep it simple: nothing deliberately or accidentally complex ever works in the long term. Why? Because businesses are always as strong as their weakest link. If these links don't get the picture the whole chain will be compromised at the critical point.
8. Incomparable comparatives: if businesses cannot explain the numbers to the outside world how do you think they can explain the critical internal ones?
9. Continual explanations that a bad situation is "just another one-off" are excuses for poor planning and execution.

10. Excessive growth will invariably lead to difficulties, as the weakest links can't go as fast as the strongest ones.
11. Superficial forecasting: this often covers up management failure and uncertainty.
12. Regular policy changes are a clear indicator of uncertainty and this breeds failure.
13. Downgrades can be the final sign that a business is in distress.

Spotting one of these external warning signs in your own business could be an unlucky one-off: but a combination of any three or more is almost a guarantee of impending doom.

All businesses operate in an environment that is dynamic; good business management needs to be constantly vigilant and equally dynamic in anticipating and responding to changes. There is an old saying that “the definition of insanity is continuing to do things exactly the same way and expecting the results to be different”.

Spot the signs, move to fix them.

Cheers

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