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When things go wrong in your business, be ready to act fast

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It can happen to any business owner at any time: something goes wrong. Very wrong. How do you survive and move on?

The steps you take to address problems can create new dynamics that leave you in a better or worse position. Time is never your friend, so prompt, decisive action is a must. Following is some guidance based on our experience helping middle-market business owners successfully navigate these issues.

First, identify and acknowledge the root of the problem. What specific factors and series of events led to the situation? How and why did this occur? Do you need outside assistance? There are plenty of small, medium and large consulting firms that can meet your needs and help you answer these questions.

The sooner you start addressing the issue, the better. In our experience, we have found many business blowups are caused by a few key factors:

People: If you determine the problem was caused by your people, take swift action to address it — including providing training to your team, getting help from professionals with expertise in key areas such as finance and marketing, and terminating any problem employees. Failure to hire and fire at the right time is one of the most common and costly mistakes.

Financial problems: Quality, timely financial information is a must. When you see financial problems on the horizon, address them early. Trying to deny or hide is futile. Eventually, you will have to deal with it — and at that time, you will likely be at a greater disadvantage. For example, if you are having trouble meeting the terms of your loan, you are better off working with your lenders early and proactively, rather than waiting until you have defaulted, such as violating a covenant. If you lose customers, you might have to downsize quickly. If your business is in major trouble, you should consider your options, including everything from finding a merger partner while still possible to filing Chapter 11. Consult attorneys and other professionals early — you can generally garner greater value with more time. Evaluate the situation quickly and be ready to renegotiate terms, trim expenses and/or reduce head count.

Crisis: A crisis can occur at any time — a product recall, an executive termination or loss, bad publicity that hurts your reputation — and you must be ready to address it head-on with the right strategy, customized to reassure and meet the needs of your key stakeholders (employees, investors, customers, etc.). Crisis communications specialists can be tremendous assets in helping companies emerge successfully from crises.

Supply problem: A key supplier goes out of business or quality is lacking. You need to work with experts to understand how to change your products or services to meet the market's needs. Conducting customer surveys and

monitoring feedback from your salespeople or your client services team is a great way to keep a close pulse on any supply issues and mitigate them before they become a major problem that hurts your business.

Market problem: Your market starts to deteriorate, as is currently happening to retailers in large shopping malls. If you are having a market problem, work with experts to determine whether you need to modify or reinvent yourself. Should you switch to more online sales, or move to a smaller location with less overhead?

While all situations are different and customized approaches are critical, most situations share a common thread: there is tremendous value in getting ahead of the problem to minimize the impact. Indeed, problems can affect any business at any time, but smart business owners know how to address them, overcome them, and even turn them into opportunities.

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