

# Turning it around

How an adviser can help a troubled business turn things around **Interviewed by Kristen Hampshire**

It's a dangerous time for businesses, and even those with decades of operating experience can find themselves facing bankruptcy or liquidation as flaws in their business plans become apparent.

"Most business owners and managers have not seen times like this before, and they are not sure how to manage through it," says Barry Worth, director of mergers and acquisitions and turnaround consulting at Brown Smith Wallace LLC. "It's a brand new world of change. Businesses that are not really looking at their business models and thinking ahead may not exist in the future."

A weak business model that worked in good times may not hold up in more turbulent ones, and businesses must recognize their problems and seek help to get back on track before it's too late.

"Essentially, that means a business owner or manager has to admit to failure," Worth says. "Their emotions are wrapped up in their business, and seeing the situation clearly is nearly impossible. They just don't know how to get out of the spot they're in. They can meander on and eventually go out of business, or they can seek help from advisers who can see them through their situation."

"By seeking out valuable professional help, most can pull out of it, reorganize their business and retain their family wealth over time."

*Smart Business* spoke with Worth about how to get a troubled business back on track.

## What's the first step that companies in trouble should take to get back on track?

First, they must recognize and admit that they are in trouble, and then seek help from a turnaround consultant or other trusted advisers who can provide guidance. Businesses should bring in a third party to assess the situation and help them design a plan for recovery — or for whatever the owner's goals may be for the business.

While many business owners hesitate to discuss tough times with their bankers for fear of losing financing, bankers are well connected with turnaround consultants and can provide helpful referrals. Banks want to help the businesses they've entrusted their money with, so reach out in times of hardship and be honest with



**Barry Worth**

Director of mergers and acquisitions and turnaround consulting  
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your banker about the situation.

Also, consider speaking to an attorney, who may also be able to suggest consultants who can help.

## Once a company admits financial hardship and seeks help from a turnaround consultant, what is the next step?

A turnaround consultant's role is to first come into the business and immediately stabilize the situation, improve the cash flow and get the company to the point where it is not bleeding. After that, the consultant will begin to conduct an in-depth analysis to determine what is creating problems in the business.

The consultant will look at the organization as a whole and determine what is generating the problems. There's no one-size-fits-all plan, and finding a solution requires the involvement of ownership, managers, supervisors and, to some extent, staff.

The overall process can take 30 to 45 days, sometimes longer. That's why it's critical to seek help early on. Continuing to run the business 'as usual' could result in having a business that no longer exists down the road.

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## What solutions can businesses consider to help them deal with extreme financial hardship?

Businesses could file Chapter 7, which is liquidation, where assets are sold off. Another option is Chapter 11, which is reorganization, where consultants help the company get back on sound financial footing and the courts rule on the plan. Chapter 11 is designed to allow a company to continue operating into the future but leave behind certain debts, and the courts may dismiss various types of company liabilities, such as loans or accounts payable.

Or, companies can seek additional equity to help sustain cash flow by bringing in private investors or equity groups. Refinancing is also a possibility for some businesses. This can be accomplished through private equity groups, asset-based lenders or banks.

Finally, an owner can sell the business to another owner.

## How can a company determine the best direction for its current situation?

Owners should engage in heart-to-heart discussions with advisers while examining their goals for the business. Some owners become so emotionally burdened and worn out from running a financially crippled organization that they are ready to move on. They want to file bankruptcy, liquidate or sell.

Others want to preserve the jobs they created for so many employees. They see a future in the business, but they need a fresh start.

For many businesses, there is hope for turning around their situations. It's just a matter of seeking professional help so they can pull out of the mess they're in, retain their family wealth and jumpstart a company they've invested in emotionally and financially.

An outside adviser can bring in a clear perspective, fresh ideas and a plan for action. As a result, many of these troubled business stories can and do have happy endings. <<