

# Newsletter

## Charles Darwin – Business Guru?

With no end in sight to the Euro Zone crisis, weak domestic demand and a continuing lack of liquidity, UK business owners continue to sail in very stormy waters.

Clearly, informal business turnaround projects, (where no direct insolvency procedure is being employed), are continuing to grow in popularity. We are seeing evidence that bankers, HMRC and key suppliers are supporting companies who are prepared to ‘front up’ to trading and cash flow difficulties. This is with the caveat that they are contacted early and can therefore buy into a clear recovery strategy before their liabilities increase.

For example, we were recently pleasantly surprised by the reaction of a clearing bank owed in excess of £1 million by one of our troubled clients. The bank immediately approved the management’s recovery strategy, (which was ultimately to enter into a company voluntary arrangement (CVA)), without feeling the need to call for an extensive, independent business review. This decision saved time and money and importantly created a measure of confidence between board and bankers.

Too often business recovery plans are subject to third party agendas. Sometimes, simple, honest, timely, direct, (but of course planned), communication with creditors without the need for masses of professional advisers saves the day.

### *Some Statistics....*

There were 4,115 liquidations in total in England and Wales in the second quarter of 2012, showing a decrease of 3.6% on the same quarter last year. These figures are not unexpected, in our view. There are many failing businesses out there that will never ever generate a profit again. They really should cease trading in a legal and effective way; unfortunately many struggle to even afford the liquidator's fees. They are living in the twilight zone.

Additionally, there were 1,310 other corporate insolvencies, (that is administrations, receiverships and CVAS), in Q2 2012 representing an overall increase of 6.3% on the same period a year ago. These procedures are often, but not always, used as rescue tools for businesses.

Interestingly, the number of approved CVAs almost doubled to 352 quarter on quarter. Perhaps, again, this is an early sign that the banks, who, have in the past tended to dislike CVAs are recognising their value.

In our opinion, **well planned** CVAs with **competent management in place** offer fairness to all creditors and create a sensible turnaround platform for troubled companies.

Too many CVAs in the past have been proposed with useless management at the helm. In short, do not blame the ship, blame the captain!

### *Adapt and survive.....*

We believe some businesses are suffering unnecessarily because of global economic uncertainties, which are often, (let's be honest), over-sensationalised by the media. This naturally tends to lead to a feeling of powerlessness.

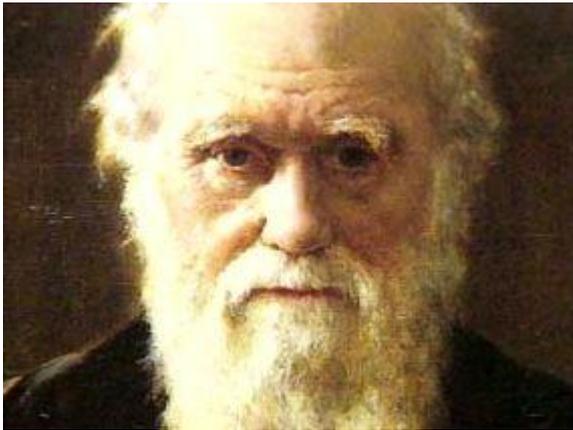
Some businesses appear to be paralysed by what they perceive to be their future prospects; based on what happened to them in the past.

From what we can glean there are still plenty of opportunities for SMES in all sectors to compete effectively against the big boys.

It's just not about price. Service levels are so important these days and time and again the smaller, leaner company can out-perform the lumbering giants.

In addition, amazing technology is now available to small businesses at a fraction of the price of comparable products say ten years ago

We're not sure whether Charles Darwin ever ran, or even advised an SME back in the 19<sup>th</sup> century but, no matter, we believe his words are instructive.



***“It is not the strongest or the most intelligent who will survive but those who can best manage change.”***

Turning Circle Solutions Limited are business turnaround specialists.

If you have any clients or business acquaintances that you feel can benefit from our services or if you want to work with us on our various turnaround projects, please contact us. We'd be delighted to hear from you. Our first client meeting is always free of charge.

For testimonials please visit our website, [www.turningcirclesolutions.com](http://www.turningcirclesolutions.com) or Tim Rosser's Linked-In Account.