



Ask SCORE for Business Advice

"Ask SCORE" Column Green Bay Press Gazette Thur., Jan. 14, 2010

Warning Signs for a Business by Tina Dettman-Bielefeldt

Last week's column looked at some of the struggling businesses that SCORE has counseled and steps that should be taken to get back on track. The big question revolves around the potential for turning the business around. Is there a point when it's too late and spending more money is ill advised?

Attorney Jon Olson, a SCORE counselor, has had a great deal of experience with bankruptcy law. While never a pleasant topic, it may be a necessary consideration. As a first step, whether it be an individual or business, Olson recommends credit counseling.

"It's very eye opening, because once people start falling behind on things they get into a week to week or day to day mentality," Olson explained. "They stop looking at the big picture and focus on surviving in the short term. Business people – and we're all prone to magical thinking – have a mindset that if I can just weather this week, it will all be okay."

Looking at the situation in an objective manner might prevent a business owner from making a bad situation worse. Olson recommends making a clear assessment of whether the business is in a dip or a hole. If it's in a hole, owners need to be realistic. Before using retirement funds, calling family members for help, or putting family assets on the line, it's time to carefully assess future chances for success.

Olson says owners want to avoid a mentality that says it will be better next month, without any real plan or evidence to support that belief. He warns against thinking I will be able to sell/earn/borrow enough in the undefined future to be able to pay this off, or I will accept this new credit card offer to pay off my other credit cards and pay the full balance before the introductory rate changes even though I have been carrying credit card balances for years.

Rather than falling victim to magical thinking, Olson says that you should take a more objective approach. "Your situation is serious if you cannot pay your bills when they are due, or if you cannot get credit you need to operate your business. Cash flow is paramount. If you do not know the cash needs of your business on a daily, weekly, and monthly basis, or if 'unexpected expenses' keep cropping up, your ability to stay in business will be luck, and not skill."

Olson does not advise clients to use retirement funds, because those funds are exempt assets in a bankruptcy and can be kept by the person filing bankruptcy. If the business fails anyway, those resources are lost.

“It’s money you wouldn’t have to spend if you accurately looked at the situation up front,” Olson noted. “That’s where a SCORE counselor or other business counselor can help you take a realistic look. If you don’t have a sustainable plan, it doesn’t matter how much you borrow, it’s just going to be gone.”

Next week’s column will look at the steps of bankruptcy and future repercussions.

If you’d like to learn more, contact the Green Bay Chapter of SCORE. Visit www.greenbayscore.org or call Cindy Gokey at 920-496-8930 for information.

[Tina Dettman-Bielefeldt](#) is co-owner of DB Commercial Real Estate in Green Bay and Assistant District Director for SCORE, Wisconsin.