

TIPS FOR DIRECTORS FACING BUSINESS DIFFICULTIES

The parties responsible for managing the affairs of a company are the Directors who are obliged to identify risk and ensure there is a strategy and a system in place to deal with those risks. Weak and inadequate management may contribute to a weak financial performance and can lead to damage of business reputation, adverse media attention and damage to the business itself. The following may assist to identify for directors areas where the discharge of their duties and responsibilities and risks are reduced.

Internal

1. Ensure regular executive and non executive board meetings are held which identify:-
 - financial performance;
 - actively involve all directors;
 - detail minute recording of such meetings;
 - the exchange of views;
 - the decision or outcome of such discussion.
2. Each director to be fully informed in all matters and circulated with full up to date information in regard to the financial affairs of the company.
3. Ensure financial controls are in place and maintained to include proper accounting records and forecasts with sensitivity analysis;
4. Thorough evaluation of the nature and extent of the risk to which the company is exposed;
5. The design of a structure and system to manage the risks and minimise liability i.e. a risk management committee;

Outside Advice

If the company is showing financial strain or difficulty the board should seek professional advice, both legal and financial.

Review of Business

Consider the financial status of the company on an ongoing basis constantly reviewing decisions to continue trading. All decisions should be based on up to date and accurate financial information with budgets, cash flow projections, bank facilities, borrowings, creditors and ongoing debtors.

Review of company's market share and of the market generally indicators of non viable business might include collapse of a market, high fix cost base, long term loss making contract, divisions of business in to different divisions which can be individually reviewed.

Preparation of programmes with increased revenue minimising expenditure and reviewing cash flow.

Attached are some key indicators of businesses and their reasons for failure.

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