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Quick action needed as pressure mounts on struggling businesses

Quick and decisive thinking will help save many businesses as pressure mounts on those who are underperforming, according to experts at a leading Coventry insolvency practice.

Tony Mitchell, managing director at city centre-based Cranfield Business Recovery, said struggling businesses had last year benefited from a softer approach by the banks, businesses and HMRC but that was set to change as more pressure is applied on them throughout 2011.

His comments came as new figures revealed an increase in Administrations in the first quarter of the year of 21.8 per cent, compared to the final quarter of 2010.

“Although Administrations are marginally down compared to this time last year, we are starting to witness a rise which is a trend likely to continue throughout 2011,” said Mr Mitchell.

“The recovery will be slow and business advisors of all disciplines will need to be in very close contact with their clients and be ready to go to their assistance at any time.”

Mr Mitchell added that quick and decisive action by the management of struggling businesses was more often than not the key to turning things around. Cranfield Business Recovery recently helped a vehicle repair business that experienced problems caused by losses in its roadside recovery arm.

“We explored several potential solutions, including a Company Voluntary Arrangement (CVA), but it was decided the best way forward was to use a pre-pack Administration to ensure continuity of trade,” he said.

“All of the company’s employees could have lost their jobs if a solution could not be found. I felt there was a strong underlying repair business and believed the most effective solution to ensure it was able to continue to trade was Administration.”

“After around a week of trying to find a buyer for the business, no offers had been made which allowed a sale to the former directors at a value recommended by independent agents. It’s a classic example of how a business can be turned around by seeking early professional advice and taking quick and decisive action. It’s been tough but the directors are confident that the new business, without the recovery side, will be successful and be around in the future to service the local community and offer employment to the local workforce.”

Cranfield Business Recovery has been going from strength to strength since its launch in 2002, advising companies and individuals in financial difficulty. The company has recently added to its team of 14 with the appointment of insolvency practitioner and accountant Dan Haigh as senior manager, and law and accounts graduate George Grineaux as administrator.

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Editor's note:-

Cranfield Business Recovery is a firm of insolvency practitioners which employs 15 staff in its Coventry office. At present they are the number one insolvency practice in Coventry. It was set up in November 2001 to offer a professional service to people with corporate, business or personal financial problems and to work closely with professional advisers to assist their clients. The firm is led by licensed insolvency practitioner, Tony Mitchell. It aims to offer a bespoke service in a friendly environment in circumstances that are often difficult and stressful.

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