

Why Businesses Get Into Trouble

No two companies are quite alike, and this also means that there are many reasons why companies can fall into trouble. While the number of variables involved in operating a company are practically endless, there are a handful of reasons why companies can fall on hard times. Let's take a closer look.

Lacking Focus

Companies that lack focus can often run into considerable trouble. Not understanding their customers and what they need or want can lead to endless problems. It is vital that companies frequently stop and assess who their customers are and whether or not they are properly servicing their needs.



Management Problems

Not too surprisingly, many companies can run into trouble because of poor management. Management problems are not one-dimensional, but instead take a variety of shapes. Management that isn't focused, is incompetent, or simply doesn't care about the business can translate into a business's premature death.

Under the umbrella of "management problems" also falls such missteps as poor financial controls, quality control problems, operational issues, and/or not keeping up with technological advancements. At the end of the day, many of the problems on our list have at least some management issue missteps at their heart.

Loss of Key Employees or Clients

The loss of a key employee or a key client can spell serious trouble. Of course, no management team can predict every eventuality. However, when there is a loss of a key employee or client, and there is no plan for replacement, then management does shoulder at least some of the blame. The savviest companies take steps to ensure that there are ways to replace the most important employees and clients.

Failure to Compete

More than one business has been buried by the competition or failure to see a new wave of competition coming. For example, countless mom and pop video rental stores were absolutely bludgeoned by the introduction of Blockbuster Video a generation ago.

While it is true that sometimes market forces are so aligned against a business that survival is almost impossible, that is normally not the case for most businesses on a year-to-year basis. The most effective and competent management can see the competition out on the horizon. Or at bare minimum, they have an emergency plan in the event that the competition becomes more intense.

All too often by the time a business realizes that it is in trouble, it is already too late. If the problems can't be fixed, then it may be time to consider selling the business. But such decisions must be made quickly in order to prevent additional bloodletting.

Optimally, a business is sold while it is doing well. Regardless of whether a business is thriving or experiencing difficulties, a business broker or M&A advisor can be an invaluable ally in helping a business reach its full potential.

About TOGA, The Oil & Gas Advisor:

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www.OilGasAdvisor.com 844 749-6016 info@OilGasAdvisor.com

Offices serving the oil and gas business across North America

DFW, TX
Don Hankins
DHankins@OilGasAdvisor.com
(817) 615-8393

Tulsa, OK
John Johnson
JJohnson@OilGasAdvisor.com
(918) 749-6016

Tyler, TX
Keith Chapman
KChapman@OilGasAdvisor.com
(903) 245-9233

Williamsport, PA
Gary Papay
GPapay@OilGasAdvisor.com
(570) 584-6488