



## **ACTION PLAN FOR A FAILING RESTAURANT**

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Today you've written three checks that won't clear the bank until the deposit is credited tomorrow morning. The 941 tax payment is overdue and you have no idea how to come up with the cash to pay it. You're now on a COD basis with every vendor, although 30-day terms are preferred. Last month's rent was tough to pay – or maybe it's not even been paid yet. The next payroll has you scared – literally. The Tagamet® is gone and your ulcer is acting up. These are all signs that a serious financial disaster is looming for you as the owner/operator of an independent restaurant.

These problems are, unfortunately, commonplace today in our industry. Even though as a professional owner/operator you try to put on a "Happy face" to hide the pain, your view on almost every front is bleak. In fact, it's likely that you've never been more challenged personally and professionally. Your credit is tapped, a bank loan is out of the question, and you simply can't ask anyone for more money. The advice of well-meaning but inexperienced friends and associates was wrong. Financial mistakes have been made and when everything is considered, just shutting the doors and walking away looks pretty good.

"This is the secret life of a failing restaurant owner" I told our Consultant's in a recent staff meeting. "It's a tough, lonely, and frustrating place to be, and it pushes the boundaries of every person that's ever been in that position. Even worse, in many cases, they are the victims of circumstances that they simply could not control and it just does not seem fair." Today there are thousands of people in the exact same scenario. This article was written because you or perhaps someone you know is going through these difficulties and information about this timely topic has been difficult to obtain.

Fact of the matter is that running a failing restaurant can go on for years. "We're here to help you" I said, as the caller detailed her problems. Declining cash flow, increasing food costs, and her inability to make money were driving her crazy. I then explained to her that in the last week I've spoken with two different restaurant owners that have had similar situations. In fact, one person had not shown a profit in over 4 years, and the other had not made any money in the last 3 ½ years! Why an owner would work for free for that length of time just confounds me. Apparently it's self-employment desperation that drives people to do things for themselves that they would never do for others.

Unfortunately, there's no easy way out, but there is a proven action plan that can help you navigate through this difficult time.

- Rewind the clock six to twelve months. What was life like back then compared to what it's like now? What changed to cause this dilemma? Try to isolate the top cause(s) and understand exactly what happened and why. This is not the time to place blame or point fingers - it rarely helps.
- Take a high level view. At 35,000 feet, the weather is always beautiful. By getting on top of the storm, this high level perspective will help you sort out the players, the problems and the potential solutions. Evaluate your financial pictures and create various scenarios for both yourself and your restaurant.
- Keep it close and keep it private. Chances are that as the owner, you're going to take the most direct financial hit. Of course, many others may be impacted. Don't rush to conclusions, don't needlessly share information, and above all, keep matters confidential between you and those that matter. Giving the world advance notice of what may be an imminent closure is unlikely to be to your advantage – so you'll need some legal advice in this regards. Also, depending on the number of employees involved and the State that you do business in, you may have to adhere to various mandatory requirements. Now is also a good time to check with your accountant and attorney relative to what is at stake, what's exposed, and how these matters will impact the restaurant, the various stakeholders, and you personally.
- Seek unconventional solutions. Admit to yourself that you're in a forest and it's difficult to see through the trees. Look for solutions that you've not considered before.
- Don't give up hope. You put yourself into the driver's seat early in this game of business. You had high hopes for it then. Giving up and walking away serves no purpose. Try to be a realistic optimist and look at your glass as being half-full instead of half-empty. You were probably the lead cheerleader on day one, and that responsibility still belongs to you, even in these tough times.
- Don't be cheap. Where has free advice or counseling gotten you so far? The best advice is from seasoned professionals in the industry and it's not free. If you want to retain some value in your business and possibly even turn the business around, skimping now is probably not the wise course of action. Turning around, restructuring, or closing a business is not to be taken lightly. Obtaining professional advice is always recommended, as every failing business has its own unique set of extenuating circumstances.
- Protect your family. Advance planning relative to managing cash is your responsibility. Do not, under any circumstances, leave them high and dry. Keep your priorities in order.
- Get help immediately. Remember that a closed business has no value whatsoever. While the doors are still open, you have options. Should you close the business, your options and your financial investment will disappear. Now is the time to be decisive and swift action will be to your own benefit.

- Keep everything in perspective. This is a business that's in trouble and it needs help. Unfortunately, businesses close their doors every day and maybe yours will be next. It happens in good times and bad. This is certainly a game changing event, but it's not the end of the world. It's a phase in your life that you'll have to manage through. Try to manage it well and remember that a bad decision now will be one that you'll have to live with for many years.
- Do not procrastinate. Things will not get better on their own. You must take things into your own hands and act with a clear sense of direction. You need solutions, and you need them now.
- This is business. Try to separate your personal life from your professional life. Do not look at this as a personal failure. Rather, take the view that this is a professional challenge like you've never had before. Engage professional assistance, act like a professional, and in short, as my good friend Marvin Adams told me many years ago, "Just make it happen" because if you don't, nobody will.
- Act today. Read and re-read every one of the above steps above. Act on them immediately.

By way of consolation, owning a successful restaurant is probably more difficult than being a rocket scientist. Think about it! NASA can pretty reliably get a person to the moon on a consistent basis, but can you sell a dessert to every guest in the house, every night? Can you forecast sales within \$5.00 for every shift? Can you accurately predict the number of guests you'll serve next Thursday? Not to minimize the achievements of the space industry, but in the restaurant business, success is a highly elusive and rapidly moving target. You're in the most competitive and difficult business in the world. Keep a clear head, make wise decisions, and hopefully you'll steer clear of disaster.

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