An Independent Voice
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Top 10 Signs Your Business May be Closing

The other day, I spoke to an employee of one of the national chains that closed a location in Northern Florida. She said, “When we came to work this morning, the gates were locked, and we were all told that we are being laid off - without any warning.” In the building material business, this process of protecting the assets during layoffs has been repeated time and time again because of the housing and financial meltdown, but it is little comfort to the man or woman just sacked without warning.

Understand, most decisions about store closings are made weeks or months ahead of time, but people are led along until the axe drops. Executives are paranoid about theft if closings are announced without strict control; however, signs of the ultimate demise are visible to those with experience. In the interest of helping those who could be put in that very traumatic situation, I’ve come up with my “Top 10 Signs Your Business May be Closing” or may be heading toward being closed. Unlike David Letterman’s version, this is a serious list on a very serious subject.

Top 10 Signs Your Business May be Closing

10. The good people are saying good-bye. Top performers are very perceptive, and most will not rearrange furniture on the company’s sinking ship. The good people will either be transferred to better stores in step-down positions or they will go with competitors.

9. There will be a wave of irrational decisions in all areas. If you see decisions coming down from the home office that make no sense, it’s because they make no sense if you are to remain in business.

8. “Out of stock” in inventory becomes the norm because the home office has set inventory “open to buys” which do not sustain business. If management starts questioning whether your store can purchase a small amount of base building materials, then you can fairly well speculate that you’re on the way to the slaughter house.

7. When there is silence from the home office management and, all of a sudden, you stop hearing from home office personnel, you should be concerned. It is basic human nature that most decent people can’t lie or face ugly conflicts, and their best defense mechanism is avoidance. Being avoided by normally communicative people is a keen sign that days are numbered.

6. Doctors have told me that just before death, the human body will take one more shot of adrenaline to stay alive. The same is true of a dead business, and usually employees will see signs of desperation in low pricing. In one last attempt to keep the store open, management will low-
ball the market for a month or two to turn the place around. The only problem is that bills are paid with margin dollars, and negative margin sales will usually speed up the demise. Ridiculously low pricing is a real sign of death for a company.

5. Businesses on their way to closure, usually in the final months, will make deals with the devil in order to stay open. In every market, there are builders who are always busy, but who can't pay their bills. You know the ones who have the pre-filled out bankruptcy forms for their fifth construction company. If your company all of sudden makes a decision that this builder can lead your business to prosperity, then you need to find another road because yours is about to end. Desperation for sales will lead to desperation in account approval.

4. Stores on the chopping block are cherry-picked for their equipment by management from other company locations, who are reviewing the equipment list like buzzards circling a dead carcass. Usually, they need the equipment before the official closing date. So, if your location is suddenly asked to send the best truck or forklift to another location because they need it more – you’d better start filling out job applications.

3. A terrible sign that a business is about to close is called “count the number of bosses.” If in the last year you’ve had more than two different bosses, you’d better get ready for the third one - at your new job.

2. One of the tops signs of a closing business is cutting expenses not just to the bone, but deep inside the bone. If the company lets so many employees go that the business cannot truly function, or if basic services are discontinued in the business, such as first-outs, these signs should be viewed as big precursors that the end is near. Terms like “cut your losses” and “throwing good money after bad” are used to make over the top spending cuts just before the final gate closing.

1. The number one sign your business may be closing is that they don’t care about their people anymore. Most company executives have never made a failed plan, but the failure came about because of the dismal performance of the employees. In the case of a closing, it has to be the employees fault for the closure, and the attitude most executives have toward employees of closing facilities is just below that of BP executives. If your company doesn’t care whether you stay or go, then you’d better go because soon you’ll be gone.

These Top 10 Signs usually occur within a 6-to-12 month period prior to the doors being shut and the gate being locked. During this Great Recession, the process has been severely condensed down in some instances due to the lack of capital and the unwillingness of banks to work with businesses.

Unfortunately, for a number of people in our industry, they are first-hand witnesses to a lot of these signs. Don’t kid yourself, it’s a tough marketplace. Many managers are tasked with making very difficult decisions to keep the entire organization operational, but understanding the signs of demise will help
individuals avoid the “surprise” layoff. These types of layoffs are why employees become so bitter toward companies and senior management. The really odd thing that occurs in many of these cases is that after the surprise layoff takes place, employees are asked to work for a few weeks to help shut the place down. Do these executives really think they’re getting any better performance or honesty from an employee they just Pearl Harbored?

What do you do if you’re an employee of a business and you start seeing these signs? First and foremost, don’t believe what management tells you; instead, believe what you see by their actions. Their actions will speak louder than words. Next, take action to protect you and your family. Being the last person on a sinking ship is very hazardous. In my 30 years in this industry, I’ve seen great employees turn down new opportunities because they were scared to make a move. Sinking ships are moving, just in the wrong direction. Finally, take the Godfather point of view in regards to your old company – it is business, not personal. This Great Recession is claiming a lot of good companies, and all sides, including management, should be empathetic toward one another. There aren’t any extra points for being ugly about a situation that’s beyond your control.

You just read my Top 10 Signs Your Business May be Closing. Keep in mind that the first step in the process is when management or owners stop talking about the future. If your company has stopped planning for the future, I’ll bet you a lollipop you’re going to start seeing the signs.

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