



“Managing Business Relationships Correctly in Times of Business Failure”

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If your business is near a failure or a turnaround, you need to manage relationships closely. When you build relationships with quality vendors, you should understand that these relationships have an inherent value. This is primarily because it takes a lot of resources to find quality vendors when you are starting a business. Relationships take time—and money—to develop.

To illustrate this, suppose that you own a T-shirt shop and you have been running the business for 10 years. You started in your garage and back then you paid top dollar for your blank t-shirts. Over the years, you have worked hard to find sources for cheaper—and higher quality—blank t-shirts. To do it all over again, would take several years in your opinion.

Now you hire a new worker. He comes in and in a matter of a few weeks he learns all of your vendors and a few of your big customers as well. He quits and before you know it he is running a t-shirt shop down the street. He is buying from the same vendors you are buying from and he is undercutting you on prices to your top customers. Since he knows what you charge them—and the people that you talk to—he knows just what to bid and who to talk to.

The same principle applies in larger companies.

I am not suggesting that you keep all of your agreements verbal so that you can take everything with you if/when you leave; rather, it is sort of a balancing act. You will eventually realize contractual agreements with customers represent stable revenue sources that lead to a much more stable business.

The reality of the situation is that these business relationships—both



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vendor and customer—are assets, and often they are intangible ones, so you need to consciously understand this and manage them accordingly. For this reason they do figure into any discussions about personal assets because these are in fact personal assets, albeit indirect ones. In many cases you will take these relationships with you to a new job or a new entrepreneurial venture.

So these relationships need to be managed carefully if you are close in time to a turnaround situation. Hopefully, you are able to do so proactively and before a turnaround situation arises. If you understand these concepts, then you can effectively treat them as personal assets, or business assets depending upon the situation, and manage them to your or your company's best interest.