



CLOSED FOR Business

Starting an enterprise is tough but shutting one down can be even tougher. We investigate a few red flags that signal it's time to close shop

WORDS Ondela Mlandu

There are myriad possibilities as to why a business would close. This could be due to a lack of customer retention and financial resources to accommodate the business' operational needs as well as lack of adequate human capital, such as knowledgeable management or leadership and dedicated staff. Companies can also close because the market conditions aren't favourable. Our expert shares her insights and lived experience.

FACTORS THAT CAUSE A SHUTDOWN

Yvonne Mtengwa is an award-winning PR and communications strategist and media entrepreneur who has birthed several businesses. In an ever-evolving consumer-centric landscape, she believes customers want what they want, and they want it now! 'Sometimes, businesses haven't mastered customer needs. This is as simple as delivering the wrong product type or quality, or having a poor supply chain framework, that will impact the end user,' says Yvonne. If your customers are unhappy, then fewer of your products or services will be purchased, which will then affect your revenue.

'I once ran a clothing business that required me to source my goods from the US. While I was making good sales, the importation duties and procurement costs were simply too high for it to make sense, especially with bigger orders,' says Yvonne. Eventually, she was forced to close the business as there were often challenges with clearing shipments on time due to exorbitant costs, which subsequently affected her ability to deliver products in a timely manner to her customers. Yvonne says that astute managers or business owners need to be able to assess when keeping the business open no longer makes sense.

PHOTOGRAPHY: GALLOGETTYIMAGES. COURTESY IMAGE

COST IMPLICATIONS WHEN CLOSING A BUSINESS

The cost implications for closing a business differ as one needs to consider the type of business and the laws at play where the business is registered and operating. The method by which you close your business and the costs associated with the closure are largely dependent on perspective, after running a situational analysis. A business owner will have to consider facets such as the ownership structure. 'It is important to ask yourself the following questions: Is the business a partnership or a sole proprietorship? Are the taxes and business records up to date? Does the business own any assets? Are there any liabilities?' advises Yvonne.

LEGAL PROCESSES FOR CLOSURE

The processes of a business closure will differ across jurisdictions, and it's important to take into consideration your type of business and the size of it. 'The process of closing a business in South Africa will not be the same as closing a business in the United Arab Emirates, for example. It's essential for business owners to conduct thorough research ahead of initiating business closure, involving a tax accountant, a lawyer and your banking facilities as a starting point,' says Yvonne. There are also service providers, such as your insurance company, who will need to be alerted. Yvonne says, in the case of South Africa, there will be consideration of processes tied to deregistration with the South African Revenue Service (SARS), Companies and Intellectual Property Commission, your Unemployment Insurance Fund as well as the Compensation Fund.

SALVAGING A STRUGGLING BUSINESS

Salvaging a struggling enterprise begins with understanding where the challenges lie. 'It is sad to say that most businesses struggle with liquidity to keep them operational. Cutting costs

MEET THE BUSINESSWOMAN



Yvonne Mtengwa is an award-winning PR and communications strategist and media entrepreneur. She is also the founder and editor-in-chief of a monthly UAE-based digital travel publication, Travel Essence Magazine, and the owner of a Dubai-based boutique communications consultancy, Narratives PR LLC FZ.

may help, but if there's no innovative way to breathe life into the business, it will eventually fail anyway,' says Yvonne. There is also a need to understand customers' evolving preferences and what your competitor pool is doing to succeed or stay afloat. Yvonne says salvaging an ailing business is about taking a series of necessary action steps towards solving the problems affecting your business. 'Sometimes, the entire model or framework has to be revisited, and that requires a new set of goals and way of thinking to achieve this,' she adds.

NEED HELP?

According to SARS, when a business/company deregisters with the Companies and Intellectual Property Commission (CIPC), it implies the business/company is no longer registered and has no legal standing since it's not engaged in any business activity nor has assets or liabilities. Visit sars.gov.za for more information.