

A friend in need

Irony

noun

the expression of one's meaning by using language that normally signifies the opposite, typically for humorous or emphatic effect.

A friend in need

I've got this mate, well, more a long term acquaintance really. Known her since I was in my teens. Purely platonic relationship over the past 40 years and we still catch up regularly to this day. She was pretty popular back in the day and had most of the local boys tied in knots. Even after 40 years she's still a very attractive lady, super intelligent and very professional, at least to the casual observer.

She's had an interesting life and recently called me to see if we could sort some finance for her. She's looking to grow her current business and potentially acquire other complementary businesses.

So, we caught up for a chat. I explained that in order to present her case in the best possible light we would need to document her history and her business acumen. She gave an embarrassed look that suggested some skeletons in the cupboard. I reassured her that one of the benefits of using a broker is being able to put everything on the table and decide how best to present the facts in the most positive light.

Turns out she had been in various businesses for many years and had done pretty well. Unfortunately, while she had made some serious money, her business practices had not always met the highest standards of professional conduct. I explained that character is a really important thing for lenders and we really needed to explore her history and ensure that any transgressions could be explained and hopefully justified.

She started by confessing to me that she'd fallen foul of a government regulator in the 80s. She'd been involved in a currency hedging scheme aimed at farmers and it hadn't gone well. She been sued and had to pay compensation. Ok, not the end of the world, that's years ago and you made good.

Then, in 2008, she got into a bit of strife with some of her creditors and had to seek assistance from wealthy friends who guaranteed her obligations. She didn't default thank goodness, but it was a close call.

She had no sooner got through that debacle than she purchased another business to bolt on to her existing interests. Did a deal to pay some now and some later once she had time to work in the new business and be sure it was performing. The deal meant that she didn't pay for any part of the business that was not performing. She then confessed, with some pride, that she deliberately made things difficult for some clients, so they would not be able to meet their obligations and she would pay less for the business. Years later the whole sorry mess came to public attention and while nothing was proved it left a bad taste among many consumers.



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fresh ideas...



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So far, so not great, but ok. Nothing we can't explain and, let's face it, years ago. So, no recent dramas? Well.....there are a couple of things she tells me. Years ago, she diversified into a number of complementary businesses in order to open up cross sell opportunities across her client base. Employed a whole heap of sales people and put them on pretty juicy commissions. Made the commissions extra juicy if these sales people sold products she had an interest in. The sales people were promoted as independent, but they really weren't. All was going fine until some pesky regulator noticed that not all the products being sold really benefited the buyer. The regulator took a closer look and discovered something interesting. Some of the clients were bereft of life which, according to the regulator, made the products less than suitable for the late purchaser. I suggested to my friend that this business practice was a seriously bad reflection on her character and I couldn't readily see an explanation that might satisfy a lender.

However, all was not lost.....I thought.

If we could convince a lender that these matters were aberrations and my friend was in fact an entrepreneurial genius, we might still be a chance.

My friend then confessed that she had a really hard time sticking with business strategies. She described a chaotic business career in which she would constantly change direction and didn't seem to be able to stick to one plan for more than a few years. Sadly, the by product was a trail of destruction in terms of her customers and staff, many of whom had left on bitter terms after not being able to cope with the continual changes in direction. A bit of digging soon revealed that her companies did not enjoy strong staff engagement with high levels of stress and resultant low efficiency. A number of valuable staff and clients had departed as a result. Obviously, a lender would need to be convinced that my friend could retain key staff and implement strategies that could be of benefit to the business over the medium term. She acknowledged her weakness in this area and I suggested that the formal support of a business coach might add strength to her application.

Then the proverbial straw and broken camel moment. She tells me she is under investigation for a raft of indiscretions and is facing hefty penalties and possible punitive punishments. She tells me she's been accused of price fixing, collusion and other unsavoury business practices. She and her staff have been grilled by barristers and by all accounts the proverbial has hit the spinning blades. She'll be lucky if her businesses survive and even if they do they'll need to change and radically.

I tell her I can't help her; the banks will not touch her with a barge pole. Her history of questionable practices, poor client and staff engagement and an apparent inability to implement reliable change strategies and long-term consistent business plans is just too hard to mitigate. She loses her cool and, with some passion, tells me anyone can make money in her game, it's a licence to print the stuff. She grabs my notes, shakes them at me and says something really interesting.

I've spent my whole adult life modelling my businesses on the Australian financial services industry and you tell me they don't want to know me! Surely not.

I had no reply.

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