

## Failure is not an option



Jerry Merola

*When problems surface, stay in the game, find a solution, and implement the plan quickly.*

I learned an important lesson this past summer. As an avid tennis player, I've grown accustomed to competing in matches against some stiff competition. In certain instances, you can read the writing on the wall early on in the game. It doesn't just look like you're going to lose; you know you're going to lose.

But sometimes, things take an unexpected turn for the better. Win a point here, win a point there, and before you know it, you've won a few games. How you handle upward momentum often sets the course for whether you ultimately succeed.

In my particular case, staying in the game proved to be my biggest advantage. The story, as I now tell it, has me losing a three-set championship match. I won the first set in an exhausting tiebreaker, but lost the second set as my opponent recaptured his stride and narrowed his focus. As I sat there in the third set, I was down five games to one, and was almost ready to concede victory. But then I got to thinking: The only thing separating me from winning was the will to do so. Focus on the problem, and find the solution. Quickly.

I won the third set, but just barely.

### STAY COMMITTED

I've seen quite a few business failures over the years. Most of them were the result of an inadequate amount of capital available during the early "ramp-up" period. Others failed because the recipe didn't match the desires of the marketplace. Still, others ended up in the pasture as a consequence of not employing sound management and organizational strategies within their operations. Wearing too many hats, if you will.

Failure is not something many folks are proud of, but those that do

fail learn many important lessons—and are often eager to talk about them. The one I hear most often is "don't be too quick to give up." Even when the situation looks bleak, that's the time to get the creative juices flowing and hunt down solutions. Throwing in the towel too early only ensures failure.

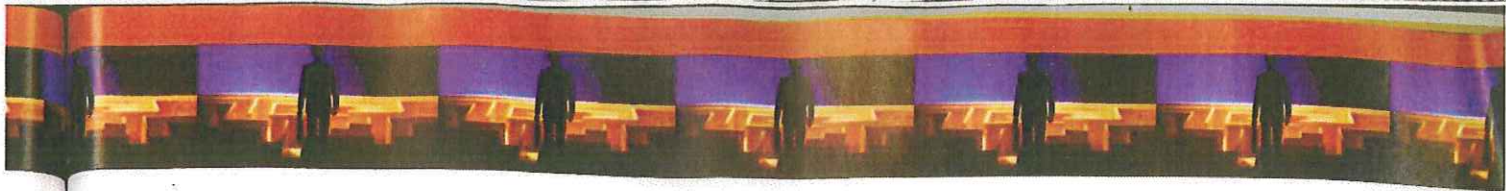
If you're suffering from declining sales or lost profitability, focus every ounce of energy on determining the root cause of the problem. Not next week, not tomorrow, but right now. The sooner you can create a plan, the more time you'll have to enact it. Most failing businesses wait until they're out of funds and resources to wave the flag for help, and that is a bad plan. When things aren't functioning like they should, it's your responsibility to generate the solution.

These days, there's a lot at stake when you're a manufacturer, distributor, or facility owner. Employees are depending on the company's success to make their mortgage payments; customers or guests are depending on you to meet their servicing needs; and lenders and investors are counting on you to follow through on the promises you've made. Let's face it: There's a lot riding on the bet we term "free market capitalism."

When I hear news that a business within our industry has failed, my first thoughts are of what could have been done differently to save the operation. With so much energy and planning going into the creation of a business, it seems unfathomable that it could just fail. Nonetheless, we hear about manufacturer and facility closures from time to time. What I often wonder is, "was failure an option?"

### DIG OUT OF THE DITCH

Financial services companies often ask my firm to evaluate the remains of



a failed business. They're curious to know if any level of value can be salvaged, and if so, how it can be achieved.

At times, the lender has exacerbated the problem by tightening the financial noose on a business that was already strapped for cash. As many lenders have learned, it's often better to invest further in an entertainment business than to close the doors. When the doors close, it becomes five times as hard to re-market the operation to consumers, most of who will never realize that the failed business has received new life. A savvy lender will replace management, and seek a new owner while the doors are still open.

Negotiation is a key part of survival in any business. After all, a business owner has many parties to please, including landlords, lenders, investors, suppliers, and employees.

Take Lee Iacocca, former Chrysler Corp. President and CEO, as an example. To me, he represents the ultimate negotiator. He packaged up a failing auto manufacturer, applied lipstick, played "let's make a deal" with the U.S. government, and waved the red-white-and-blue flag in front of the customer. The strategy bought him enough time to dig out of a horrible economic time and ultimately save the day for Chrysler.

Failing businesses can employ a similar strategy, provided they act swiftly and effectively. It's important to develop a turnaround plan, even if you have to pay someone with greater skills to implement it. Unfortunately, when businesses get too weak, cash flow dries up, and the rescue team can offer no lifeboat. This is precisely the reason why turnaround plans need to be implemented at the first signs of fire. Wait too long and the solution will become too remote.

### REINVENT YOUR BUSINESS

Times change. What worked twenty years ago probably has little

application today. Many businesses that are failing are in that position because they remain committed to a product or service that no longer meets the needs of its targeted user. Acknowledgement of this issue is the first mandated requirement of a

turnaround plan. To move forward, a business needs fresh products, fresh thinking, and a new way to deliver it to the customer. Most importantly, it needs a management team that won't give up. Remember, failure is not an option. ▲

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