

# Duvall & Associates, Inc.

## Taking Care of Business

### DEBTORS WHO RULE

"Who picked up the tab...who made who?" ACDC

Several years ago I met with a business owner who provided a unique epiphany moment in my business life.

He was an ambitious start-up entrepreneur, fast-track, who owed over \$2 million debt to a private non-institutional lender. I expressed extreme concern this lender could shut him down at will for lax compliance with loan terms.

His response? He sincerely believed he actually "owned" the lender - not vice versa. Why? Because if the lender shut him down - said lender would never get repaid. So the lender had to play ball or suffer.

A more universal acronym for this situation is the recessionary "too big to fail" syndrome.

Immediately counter-intuitive, but upon reflection I got it. And reviewing my own business past, I recalled many clients who probably felt they actually owned me for exactly the same reasons.

It's certainly easy to cascade into that creditor Catch-22 chasm. The ingredients for the recipe are actually quite familiar.

Mix a business - with an owner who likes profits and employees who need work. Stir in 30 days of work with 30 day receivable pay policy - and you swiftly have a customer who owes you for 60 days of services so rendered. Blend in stalling tactics and more services rendered - and voila! - you have a serious collection issue.

And quite often - the past-due client expresses intense ethical indignation at your collection efforts.

The solution is equally simple to enunciate - but quite difficult to execute. Up front - clearly communicate "mutual" expectations to your business relationship - and boldly stick to your guns. If clients do not adhere to the agreed-upon deal - then further work must cease.

It's merely self-defense. Control your own business destiny.

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