

# Gear Down

Downsize or close your business  
in **eight steps or less.**

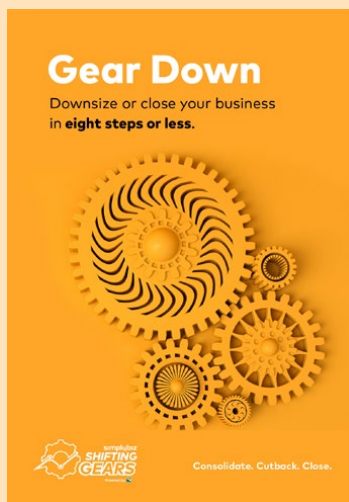


Consolidate. Cutback. Close.

# About Shifting Gears

**Shifting Gears is a self-directed business learning and coaching bootcamp.**

It is an opportunity for business owners and those considering entrepreneurship to take stock of where they are in their business and personal life, as well as to set a new direction. In gaining the vital skills and tools needed, entrepreneurs will equip themselves for a shifted business world.



## Gear Down

**One of the hardest decisions is choosing if, and when, to close or downsize. It is the unthinkable.** For many it means letting go of a dream or having to retrench loyal staff members. Knowing when to stop the bleeding is never easy, but usually the sooner the better.

It is understandable to feel overwhelmed or even paralysed, but **there are legal, human resources (HR), and tax implications when closing a business.** You do not want to make a bad situation worse by failing to comply. Whether you need to issue section 189 retrenchment letters or deregister with the Companies and Intellectual Property Commission (CIPC), we will guide you.

Many entrepreneurs have failed, several times, but they have gone on and started afresh. Take heart, this too shall pass.

## Reasons to Gear Down

**Let's help you close or downsize the right way.**

- G Structured guides and templates help you and your staff.
- G Online resources are a click away.
- G Experts lead chats.
- G You get access to a second gear as a way forward.

### Who will benefit?

- G I need to reduce my business operations.
- G I need to let go of some of my employees.
- G I need to deregister my business.
- G I am closing my business.

### This bootcamp covers the following:

- G Getting to grips with your current business reality.
- G Doing the numbers.
- G Mental wellbeing for you and your employees.
- G Legal, accounting, South African Revenue Service (SARS) and HR compliance.
- G What now? Exploring possibilities.

# SimplyBiz Chats

SimplyBiz Chats are informal presentations and discussions which provide you with an opportunity to listen to experts and other businesses.



FINANCE & FUNDING

30 min

## Quick wins to cut costs and stay afloat.

**Adv. THAYN NIEMAND**  
CFP® Financial Planner

[WATCH THE REPLAY](#)



PEOPLE MANAGEMENT

30 min

## How do I stay positive when things are bleak?

**JENNY McNULTY**  
Executive Coaching and Leadership Consulting

[WATCH THE REPLAY](#)



SALES & MARKETING

30 min

## I'm closing, what should I say to my customers?

**ALTHEA FORDYCE**  
Healthcare and Marketing Consultant

[WATCH THE REPLAY](#)



OPERATIONS & ADMIN

30 min

## I'm closing, should I deregister?

**OFENTSE SHAKUNG**  
Comms, Innovation and Collaboration  
Office of the Commissioner

[WATCH THE REPLAY](#)



OPERATIONS & ADMIN

40 min

## I need to retrench. How do I do this?

**LEIGH ALLARDYCE**  
Labour Attorney



**JANET ASKEW**  
Serial entrepreneur, HR Consultant,  
Trainer, Facilitator and Coach

[WATCH THE REPLAY](#)



# Gear **Down**

Let's help you close or downsize the right way.

## 8 Steps to Gear Down.

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## Step 1

# Current business reality

Get to grips with your current business reality. It is essential to take a long hard look at your situation and to decide if the business is rescuable or if it is time to close shop and limit the losses.



Motivation

2 min read

### Failure is an option

Businesses fail, it's a harsh reality. In South Africa, more than half of all new businesses fail in the first year and 96% of those will have closed their doors within 10 years.

Allon Raiz, CEO of Raizcorp, suggests to entrepreneurs that it may not be easy to shrug off the stigma of business failure, the best solution is to get back on that bicycle...

[READ NOW](#)

DONE

## Complete the business assessment below.

(To be completed only if you are currently running a business.)

The number one rule when assessing the effectiveness and sustainability of your business is to separate the business from yourself. This is easier said than done when you have put blood, sweat and tears into it. A good business assessment looks dispassionately at where you are today and the likely future for the business.

Remember to include your personal or family needs or aspirations – this is an honest evaluation of how your business decisions will affect you and your family (eg whether or not to stay in business or to make personal financial sacrifices to keep your business afloat during hard times).

*The example business assessment below is for a fictitious business. The Burger Bar.*

Positives	Negatives	Reasons for negatives	Can be changed?
Own boss.	24-hour day – hardly spend time with my family.	We have been in business for two years – it took time to build the business.	Yes
Flexibility – I could fetch kids from school.	I have to be good at everything.	I self-funded, so I was always trying to keep costs down by doing it myself.	Yes
Until now it has met our financial needs.	Demand (therefore revenue) has dropped by 50%.	Economy and health concerns.	No
We were building a loyal customer base.	I need to invest in technology.	The pandemic meant a sudden demand for online and delivery service. To continue to compete in this changed market, I need to invest but I have no capital.	Yes
The live-music evenings were popular and profitable.	Having to use a delivery service has added costs to the bottom line.	I need to find a more reliable and cost-effective delivery service or hire scooter drivers at extra cost.	Yes
	Gourmet burgers lose their quality when transported.	The Burger Bar was never designed as a takeaway or delivery business. It was about families and socialising in a sit-down environment.	No
	The economy is recovering, but too slowly. There are fewer people eating out and we don't have outside facilities.	I relied heavily on turnover and higher margins on drinks, plus add-ons, eg desserts.	No
	My passion was for The Burger Bar and the social ambience. We were part of our community.	Part of our entertainment factor was that the kitchen was open and customers could get involved in designing their own burger.	No

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Positives	Negatives	Reasons for negatives	Can be changed?

**Considering your answers in the assessment, do you believe that you should downsize or close? What is the main reason for your decision?**

**If you have decided to close your business, please skip to step four.**

**If you believe that your business can survive if you implement cost cutting and other changes, please go to step two.**





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## Step 2

# Financial summary

You do not need to be an accountant, nor do you need an expensive bookkeeping system to be able to make sense of the numbers. Your current business may not be looking so great financially because of any number of reasons.

The three main financial statements that will give you your current financial health check:

1. The **income statement** measures the profitability of your business during a certain time period by showing your business's profits and losses.
2. The **balance sheet** shows your business's financial health, measuring how much you owe and own.
3. The **cash flow statement** shows how liquid your business is. Subtract any short-term liabilities from any assets in the business. Is the result positive or negative?



**Income statement template**

DOWNLOAD



**Balance sheet template**

DOWNLOAD



**Cash flow statement template**

DOWNLOAD





Finance and Funding

3 min read

### Debtor management

Healthy cash flow is the lifeblood of any business and the key to this is intentional and proactive debtor management. Decide upfront on a strategy to help you be selective about the clients you take on board so that you attract the right customers...

READ NOW

DONE



Finance and Funding

2 min read

### Liquidity and solvency ratios

Financial calculations or ratios will help you assess the financial position and performance of your business. These calculations are good for your own insights into your business and almost always necessary if you want to get funding or want to sell your business...

READ NOW

DONE

ACTION

15 min

It is important to do the numbers and to understand what they are telling you.

### Was your business profitable in the past? Why?

### What has changed?

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**Are you currently running at a loss and for how long has this been happening?**

**Where can you cut costs to reduce the losses? Will it be enough?**

**If you were to implement the changes you identified in the assessment, what is the likely effect on your bottom line? Will they allow you to stay in business?**

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# Step 3

## Time to think and time to act

If you believe you can survive by downsizing and cost cutting, complete the SWOTA (Strengths, Weaknesses, Opportunities, Threats and Actions) analysis to see how you can overcome these tough times.



### Complete a SWOTA analysis

(Strengths, Weaknesses, Opportunities, Threats and Actions)

[READ MORE](#)

*ACTION*

*15 min*

### Create a list of actions.

1. Referring to the SWOTA, list the actions (with dates) that you will take. If appropriate, involve your staff members in brainstorming what can be done to improve the situation. This encourages their buy-in, and you may be pleasantly surprised at the ideas generated.
2. Then rank them: 'U' refers to 'urgent' (quick wins that will reduce costs or bring in much-needed cash), 'I' refers to 'important' (may take more time and effort but will pay off in the long term).

**ACTION**

**RANK U or I**

**DATE (By when)**

Implement the urgent actions straightway. This not only saves money, but also starts to instil a sense of taking control, which is important mentally. An example of a quick win is a flash sale. Stock on the shelf is effectively cash on the shelf. Sometimes it is better to reduce your profit margin in favour of cash in your hand.

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# Step 4

## Talk to your banker

Discuss your situation with your business banker. Bankers are more likely to work with a business owner who is honest about the situation and who is taking action to mitigate problems.

Remember to include documentation and other relevant evidence to support your proposal (eg include the latest financials, and your credit history as the relationship with your creditors will be important factors).

*ACTION*

*15 min*

### **What solutions can you offer?**

**(Refer to the SWOTA and action plan above)**

### **What relief do you seek and how do you intend to meet your liabilities, eg negotiate payment plans with creditors?**

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## Step 5

# Retrenchment

Whether your company is downscaling or facing liquidation, you will likely need to retrench all or some of your employees. Where do you begin? What is the correct process? How do you ensure your employees are treated fairly? It is important to do this legally and with compassion. How this process gets handled will have repercussions for your business in the future, both legally and reputationally.



People Management

6 min read

### Retrenchment: What you need to know

Whatever the business reason (recession, market changes etc), no fault terminations are difficult emotionally and legally.

This article is intended to provide some basic guidelines for businesses with fewer than 50 employees.

[READ NOW](#)

DONE



People Management

3 min read

### Retrenchment as an effective business tool

Circumstances that give rise to retrenchment include a change in the business' operating model which requires fewer staff or staff with different skills, or a difficult trading environment which necessitates cost-cutting...

[READ NOW](#)

DONE



## s189 notice template

DOWNLOAD



## Termination letter template

DOWNLOAD



ACTION

15 min

### List the names of all employees who may be affected and decide on your method of selection.

eg last in, first out – LIFO – or are you closing a certain section of the business? You must be able to justify the method of selection.

NAME	METHOD

- Issue the section 189 notice and consult with your employees.
- During the consultation process ensure that all options are considered and responded to before following through with the terminations.
- Allow employees time off to seek other work and try to help where possible, for instance with preparing CVs or reference letters. Also, refer employees to counselling.
- Encourage employees to join the [Get into Gear](#) bootcamp if they may be considering starting a business.
- Prepare the severance packages, including all monies owed, such as salary, notice pay, severance pay and leave pay. Depending on the employment contract, a pro rata payment of annual bonuses and the balance of any pension or provident fund benefits may also be due. (The minimum severance required by law is one week's pay for each completed year of continuous service – section 41(2) of the Basic Conditions of Employment Act, 75 of 1997.)
- Sign and issue the termination letter.

*\* NB This information is provided as a guide only and we encourage you to seek professional legal, accounting and HR assistance.*

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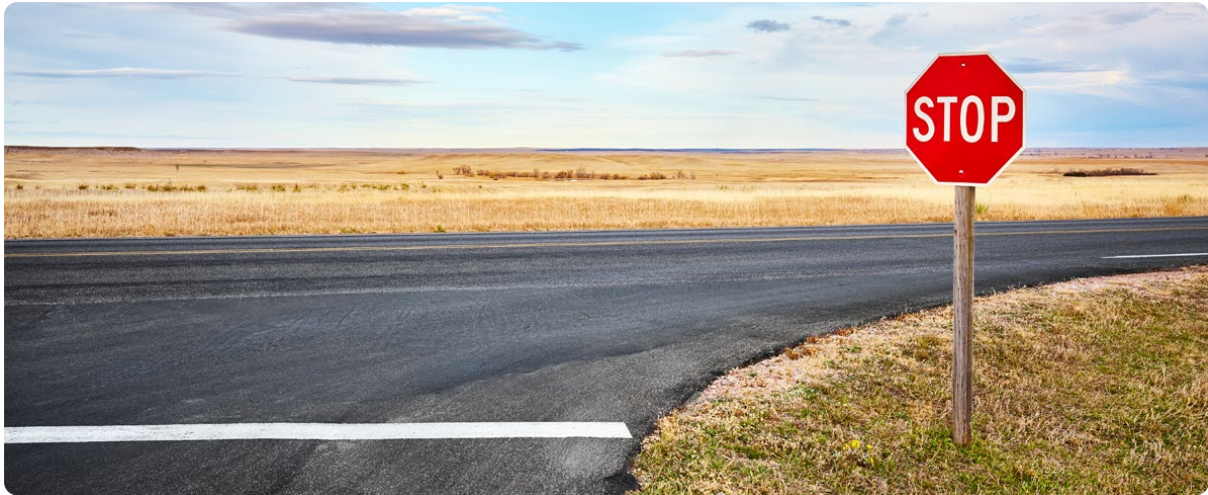
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## Step 6

# Give notice

*ACTION*

**Referring to the checklist below, make a list of everyone that you need to inform about the downsizing or winding up of your business.**

If you do not, you may incur unforeseen penalties or legal repercussions.

NOTICE	DATE
<p><b>Employees: section 189 notice of possible retrenchments</b> In writing to each employee, and verbal consultation.</p>	<input type="checkbox"/>
<p><b>Notice to landlord of your revised needs or intention to wind up</b> This is a tricky negotiation because typically leases are written to favour the landlord and not the tenant. Check your lease terms carefully. Many a small-business owner has closed shop but has remained personally liable for the balance of the rental period. It is advisable to approach the landlord with your proposed solution rather than simply give notice. Can you do the following?</p> <ul style="list-style-type: none"> <li>• Negotiate smaller premises or better terms?</li> <li>• Find a suitable tenant to replace you (introduce to the landlord)?</li> <li>• Negotiate a payment plan?</li> </ul>	<input type="checkbox"/>
<p><b>Notice to regular suppliers and cancellation of orders</b> An email is usually sufficient but take note of the contractual terms with each supplier about cancellations and required notice periods. There may be penalties or other fees. Where appropriate, arrange for return of stock to recover cash.</p>	<input type="checkbox"/>



**NOTICE****DATE****Notice to creditors**

Handle creditors with care. It is better to engage personally with your main creditors to see if better terms or a payment plan and acknowledgment of debt can be negotiated. Record this agreement in writing. If you want to keep doing business, the preservation of the relationship is essential. Not just your business standing, but also your personal reputation is at stake.

**CIPC deregistration** (Step 6)

This applies if you are winding up the business.

**SARS**

Once your business has received confirmation from the CIPC that they have been deregistered, you must visit the nearest SARS branch and make sure the business or company is deregistered for all the various types of tax.  
Call the SARS contact centre on 0800 00 SARS (7277).

**Business banker** (Step 3)

Keep your banker informed about what is happening with the business and, if applicable, your intention to close the account. Your banker will confirm the process and documentation required.

**Notice to customers**

If you intend to stay in business, then this is a vital marketing opportunity. Your customer needs to know that they will still receive the service they expect, despite the changes. Communicate with your customers via all the channels available from direct mails or messages to social media and posters. (Ensure compliance with the Protection of Personal Information Act, 4 of 2013.)

**Advertising of stock clearance**

If you are closing, advertise a stock clearance sale to generate cash quickly. Give your VIP customers the first opportunity to buy.

*\*NB This information is provided as a guide only and we encourage you to seek professional legal, accounting and HR help.*

**Acknowledgement of debt**
[DOWNLOAD](#)

# Step 7

## Deregister with the CIPC and SARS



**Operations and Admin** 2 min read

### Winding up your business – what you need to know

Global and domestic economic crises, pandemics, disruptive technology, or sheer bad luck... whatever the reason behind your decision to close your business...

[READ NOW](#) DONE

 **CIPC deregistration guides** [READ NOW](#)

Note: The following five tools link to [www.sars.gov.za](http://www.sars.gov.za)

 **Small business essential tax guide** [READ NOW](#)

 **Closing a business or company** [READ NOW](#)

 **Employees' tax guide for employers** [READ NOW](#)

 **Turnover tax for micro businesses** [READ NOW](#)

 **Cancellation of VAT registration** [READ NOW](#)

### ACTION

#### Deregister with CIPC.

If you are winding up a registered company or close corporation, then you must complete the CIPC deregistration process.

#### Deregister with SARS.

Once you have received confirmation from the CIPC that the business has been deregistered, you must visit the nearest SARS branch and make sure that the business is deregistered for all the various types of tax.

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# Step 8

## What now?

You have taken care of the compliance aspects and done what is required to either wind up or downsize.

Now what?

Consider moving forward with the following options. It's now time to shift gears!



### Change Gear

If you are downsizing, you may need to reposition or restructure your business. Join our **Change Gear** bootcamp to speed-dial this process and get to business.

If you are significantly adapting products and services or if you are trying to adjust your business model to meet new demands, this is the gear for you. Innovation, flexibility and agility are the themes of Changing Gear. Our society was transformed by a pandemic and many of those changes are here to stay.

**Change Gear** is all about the entrepreneurial mindset, visualisation, strategy and finding new markets.

[GO TO CHANGE GEAR](#)



### Get into Gear

You may have had to close a business, but this does not have to be the end of your entrepreneurial journey. In a tough job market, starting another business may well be the quickest and smarter route to getting an income.

We have done the foundation for you. All you have to do is work through the business plan sections. **Get into Gear** with a structured and supported approach that will take you from ideation to presenting your business plan to potential funders, in just two weeks.

**Get into Gear** is the place to get your business up and running quickly.

[GO TO GET INTO GEAR](#)



[Create a powerful LinkedIn profile](#)

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# SimplyBiz Shifting Gears

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