

Business Tribulation Toil and Tools

The current interruptions to business have uneven consequences. Some businesses are essentially unaffected or prosper during even the most stringent of the restrictions. While hospitality and tourism get early mention in the suffering group, it is in fact the large rump of business that is affected in what are accumulations of issues. These include cashflow, compliance, stress, uncertainty, constraints on planning, debt, fatigue, anxieties at home, supply chain, staff stress, staff shortages, fear, and more. The implications are more biased towards businesses with a physical presence. The spirit of independence in New Zealand marks business owners as typically stoic and silent, however the toll on business, and their owners is enormous.

Unlike a spring shower that drains away leaving the ground ready for the next shower, these issues have a much longer period of dissipation and so the affects accumulate. The Government in its panel of experts plan to open the borders made absolutely clear that further “lockdowns” can be expected in 2022. This is now for revision given the recent outbreak. We can therefore expect more uncertainty as a result rather than less.

I have fielded various covid consequences questions and will over the next few blogs address some of them.

Covid impact on business valuation

So, what does this mean if you are in the throes of a business sale or purchase? In various business or share valuations I have completed this year I have addressed the uncertainty within present covid and economic circumstances. After the initial covid experience in 2020 we have had roughly a year of “almost back to normal”, and indeed for many a period of business growth without precedent, and its been tough to get traction on covid uncertainty valuation considerations. The future has however arrived. In presently advising several potential acquirers my question to the intending purchasers have included what allowance have you made for:

- the number of weeks in any year that full business operation (or potentially any level of business operation) will not be possible?
- are staffing assumptions realistic? Can replacements be found where necessary? Can additional staff be found to deliver the growth assumptions you have made? Is it realistic to expect staff productivity at prior levels or are their families unaffected by ongoing uncertainty?
- Do you believe there is no prospect of any supplier or customer knock on delay, and if not what consequences follow?

The reality, and the intuition, is that there will be implications. It may be as simple as anticipating that a 5 year expected work pipeline might take six years to accomplish. Don't bypass the intuition. Much as I dislike earn out clauses, I can see gaps being bridged with them.

Now, as I do in these blogs, to **words**. We had better have a look at the meaning of **tribulation**. The common dictionary definition of **tribulation** is “a cause of great trouble or suffering” or “a state of great trouble or suffering” with synonyms agony, anguish, distress, excruciation, hurt, misery, pain. What is the origin? Middle english via Old French (around 1200) from ecclesiastical Latin. Ecclesiastical Latin? What's that? It is also called Church Latin, Liturgical Latin or Italianate Latin, is a form of Latin initially developed to discuss Christian thought and later used as a lingua franca by the Medieval and Early Modern upper class of Europe. So **tribulation** is a translation of the “original versions of the bible”, so we keep going backwards in time to its biblical origin (which was later “translated into Ecclesiastical Latin). Well in the New Testament (written in Greek) the word is **thlipsis** from **thlibo** meaning to crush, press together, squash, hem in, compress, squeeze in turn derived from **thláo** = to break) originally expressed sheer, physical pressure on a man. **Thlipsis** is a strong term which does not refer to minor inconveniences, but to real hardships. So that is the **state** of tribulation (as distinguished from **The** Tribulation or **The** Great Tribulation) in biblical prophecy.

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