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Deathbed businesses: When a business stops growing, it starts dying.

By John M. Collard

Too often, companies die unnecessarily because most business leaders haven't learned to recognize the symptoms of oncoming illness in their business. Leadership hasn't had to deal with it in the past and is ill equipped when trouble sets in.

The obvious signs of business trouble are rarely its root causes. Losing money, for example, isn't the problem; losing money is the result of other problems. The astute CEO recognizes his fallibility and has the foresight to ask for help — before serious trouble sets in.

If you can answer yes to some of the following questions, it is time to take decisive action.

Are you over-extended?

Whose work are you doing? When the CEO continues to perform functions that should be done by others (once the business has grown to a more complex level), you are over-extended. CEOs need to delegate work appropriately. Define the owner's and key managers' jobs to clarify role responsibility. Assess subordinates' competence; retain them if appropriate and replace them if not. Monitor key metrics so you'll remain informed about conditions, without being immersed in them.

Is turnover excessive?

A sure sign of underlying problems is rapid employee turnover. Employees know when problems exist, and the good ones will leave early. The price for ignoring this problem is high: low morale, lost wages, recruiting costs, lack of productivity and ultimately, forfeited business.

Uncover the real causes early on and rectify them. Solutions include clearly defined job responsibilities, performance expectations, rewards and scope of authority.

Several levels of management attention should be devoted to new key employees (and those moving to new positions) during the initial days of their assignment.

Are goals unclear?

Chronic failure to achieve stated business goals suggests a problem far more serious than a lack of performance. Often, it implies a lack of clarity regarding your goals, and usually indicates a failure to secure management team buy in.

Take a long, hard look at the goal setting process. Set goals and hold managers accountable for success.

Are incentive programs yielding poor results?

While it seems obvious that programs should clearly and directly reward successful job performance, it's remarkable that many companies unwittingly set up compensation structures that reward performance altogether differently from that outlined in the job description. A word of warning if this is your practice: be careful what you pay for — you might just get it.

Is new business waning?

If so, you are out of touch with the marketplace. High prices, unresponsive proposals and giving more than is required of you are the typical reason companies lose bids. Commitment to winning new business is essential to success, so identify targets early on, always keeping a close eye on the customer's special needs. Bid to win, and then manage for profit and growth.

Are key client relationships deteriorating?

Determine if a decrease in business from long-time customers is due to poor market conditions in their industry, or poor service from your company. If it's you, you're probably no longer meeting the customer's needs. Worse, you may not know.

Manage customer relationships carefully. Customer needs, like your own, change. Assign specific responsibility for nurturing customer relationships to all levels of management, not just to those within the sales force.

Do you create products in search of markets?

Products developed before market needs are assessed can waste resources and be difficult to sell. It is less expensive to create awareness of a product or service that meets an existing demand than to develop a new market for existing products or services that doesn't exist.

Do you have failed expansion plans?

Setbacks drain businesses of cash, time and morale. When companies fail in one effort, management tends to pull in its horns the next time out. The result? Suppressed hopes for growth or expansion. Efforts fail because of inadequate cash, poor management, lack of thorough market analysis or improper control systems.

Are communications ineffective?

Ineffective meetings, management information or inter departmental coordination can destroy a business from the inside out, even as it is growing.

If all that you accomplish during "bull sessions" is a lot of "bull" it is clearly the fault of the leader. It's a leader's duty to limit the scope of participants and topics discussed and to establish an agenda — with specific begin and adjourn times — and stick to it. Demonstrate organization by managing your meetings and your team will demonstrate that organization by managing your company.

About the Author

John M. Collard *is chairman of Annapolis, Md-based Strategic Management Partners, Inc. a turnaround management firm specializing in asset and investment recovery, outside director governance, raising capital, interim executive leadership, and investing in and rebuilding underperforming distressed troubled companies. He is a Certified Turnaround Professional, Certified International Turnaround Manager, past chairman of Turnaround Management Association, past chairman of Association of Interim Executives, senior fellow at Turnaround Mgt Society, and serves on boards of directors. Participated in 45 transactions worth $1.2B. He is inducted into the Turnaround Management, Restructuring, Distressed Investing Industry Hall of Fame. He can be reached at (410) 263-9100, or* *www.StrategicMgtPartners.com*