

# *Calling All Dollars! Beyond the Crisis . . . What's Next?*

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## *Calling All Dollars! Beyond the Crisis . . . What's Next?*

Text

By John M. Collard

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### **SECTIONS:**

[\*Know Your Customer\*](#)

[\*Adapt Your Company\*](#)

[\*Do What It Takes\*](#)

[\*Article Text\*](#)

by John M. Collard

[Sections](#)   [Index](#)

Dollars come and dollars go . . . in and out of a company . . . preferably more of the former.

Remember, a company is in business to make money. If this is true, and most will agree, then you must consider the basic elements in the equation Revenue, Direct Cost, Overhead and What's Left Over . . . Profit. When nothing is left over, the company has a problem.

To get a business back in the black, you can increase the revenue, cut direct costs and overhead or throw in the towel. When giving up isn't the answer, what about cutting costs? While this maneuver is certainly helpful, it is not always the complete solution, besides there is a limit to which costs can be cut. To create a long term fix for a troubled company, the only viable alternative is to increase the revenue. But how? From where? And how soon?

Sometimes, the solution to the revenue problem can be obvious. I once went into a manufacturing company that was in real trouble and losing money, but had no idea why. The company had 280 employees, 24 of which were in the accounting department and only three were in sales. Those salesmen weren't selling anything . . . get the picture?

But frequently, the reasons behind a revenue shortfall are more complicated. And solving the problem can be difficult.

The crisis is over, the company is stabilized and you've developed a short term plan. Now you must turn to the long term viability of the company to create value for the stakeholders. *But will that be allowed?* The bank wants out. Crisis managers brought in during the early dark hours often say "...the job is done" and exit. This leaves the management team to wonder what happened and what to do next. If the turnaround process short circuits at this point, the company faces a stiff climb out of the ashes. And most never make it.

***"A dollar must become a dollar of revenue before it can be considered any other kind of dollar."***

Rebuild the company! Restore it to a vibrant state . . . then the value will come back to what once was a dying entity. The only way to provide a foundation on which to build is to generate revenue. A dollar must become a dollar of revenue before it can be considered any other kind of dollar.

For a business to be successful, lenders, creditors, shareholders and employees in the company must believe it can be a winner. Get all parties involved to agree that the company is worth saving. That will, by their actions, require each of their commitments to a process that may take awhile.

## Know Your Customer

[Sections](#) [Index](#)

The most important step toward revenue rejuvenation is to understand your customer. Determine what the customer values, in what context he values it and how he measures that value.

By identifying what the customer needs, you can gain a better understanding of how to market your product or service. Understand what your customer is trying to accomplish.

Learn how the customer measures value by recognizing his need to be profitable. You can assist him by detailing what your product or service can do to help your customer sell his product or service. What convenience do you offer to your customer? Do your products or services make the customer more efficient and productive? Can he save costs in other areas because of your product?

Be aware of what motivates the customer to buy. Do your products or services provide special benefits or features to the customer? Are they able to generate more profits?

It is also imperative to address the real issue of how customers perceive the company and its products or services relative to the competition. What are the products' or services' advantages or disadvantages? Are they accurately understood by your customer? Review and implement a plan to satisfy the customer so that he will want to purchase.

## Adapt Your Company

[Sections](#) [Index](#)

A soul searching look inward to the organization goals, strategies and distinct competencies is essential. Perception is the key. It has many sides . . . to confuse the competition . . . to comfort the customer . . . to fool ourselves.

To get an accurate picture of a company's current revenue health, look at where and how revenue historically has been generated. Is it from existing customers and contracts or new business? How many new orders are being generated? What is the average revenue (or cost) per employee? How does this compare with the industry norm? Which direction is the ratio going? What is the average revenue per job or unit sold? Is it competitive?

Compare this information with the company's "Volume In" and "Volume Out" goals. Are revenue and sales projections realistic? Can production and throughput expectations be satisfied? Consider what sets you apart from your competition. Know what are your key competencies your special capabilities and how to develop them.

***"Determine what your customer values, in what context he values it and how he measures that value."***

It is also crucial to take a good hard look at the company's products and services to determine if they are meeting an existing demand in the market. Not even Superman could save a company specializing in buggy whips or whalebone corsets today. It is a losing proposition to try to exploit a product or service that does not have a tangible niche in today's market.

Along with product and service viability, the product and service cost must be in line with what the market will bear. It is the nature of the engineer to want to create a "Rembrandt" something special that meets the needs of all customers. This approach can only add to the cost of the product, often a markup that the customer is not willing to absorb. Keep the "bells and whistles" to a minimum and if possible consider offering product pricing options. Using a modular approach, for example, for technically oriented products will allow a better fit with various customer profiles by providing a pick and chose option.

## **Do What it Takes - To Bring In New Business**

[Sections](#) [Index](#)

A business in trouble not only faces dwindling revenues but often declining employee moral and motivation. In troubled times, employees worry about their job security and productivity goes down.

Instill a "we will do what it takes" attitude toward developing new business, this is a sure fire method to breed success. Develop a commitment to winning new business. Make sure management gets involved in the new business process.

Set the directive and the goals. In turn, offer incentives to motivate employees top to bottom. These rewards should be based on performance and should be paid when goals are achieved and not awarded if they are not fulfilled. Consider paying management level employees incentives based on gross margins rather than gross sales thus ensuring that they will have a vested interest in increasing revenue at profitable margins.

Resurrecting a trouble company requires building a solid foundation . . . rooted in the most basic part of the equation . . . the company's ability to generate revenue. As long as a business can generate revenue, the company has value for all stakeholders. It requires knowledge . . . of your customers . . . and of your company and what you are capable of doing. Only then will the dollars come marching in.

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[Sections](#)   [Index](#)

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There is more to Strategic Management Partner's [Return to Home Page](#)

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[Index](#)

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[Top](#) [Index](#) [Sections](#) [Contact](#)

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