

Musings From The Mountain

Musings From The Mountain, Journal Primer for Corporate

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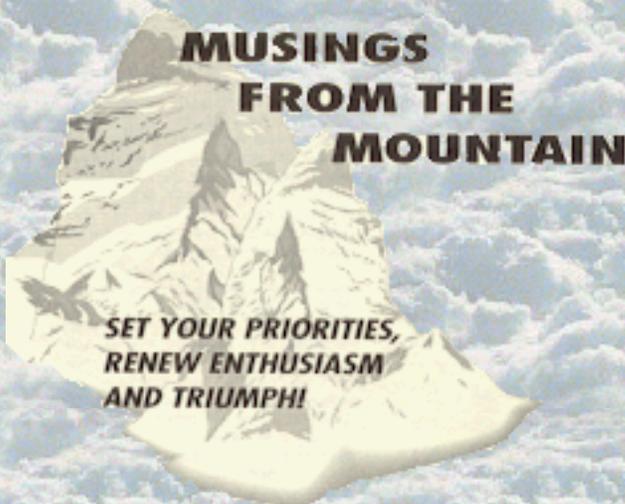
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Musings From The Mountain

Set Your Priorities, Renew Enthusiasm and Triumph [Text](#)

By John M. Collard and Richard J. Walters

Primer for Corporate Renewal, 1993.



SECTIONS:

[Strengthen Cash Position](#)

[Rebuild People Element](#)

[Establish Leadership](#)

[Put Plan In Place](#)

[Communicate with Stakeholders](#)

[Execute Marketing Blueprint](#)

[Make Decisions](#)

[Article Text](#)

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

It is important to take time to reflect on your priorities . . . in life, health and business. For our personal well being; we retreat to the mountains, the shore or some hide a way to rejuvenate and gain a renewed perspective on life. In business take a similar approach; step back, evaluate and organize; it will make a big difference. *Even seemingly insurmountable goals can be brought into proper perspective if you organize and prioritize into a handful of manageable tasks and execute zealously.*

The company in crisis, or seeking renewal, is a prime example where concentrating on and re-examining priorities can make the difference between success or failure in the months and years to come. When you approach priorities in a diacritic sequence and with the proper intensity, the outcome can be extremely favorable. On the other hand, when tasks are undertaken in an event driven, interrupt mode, the outcome is unpredictable and often falls on the side of failure.

Strengthen The Cash Position.

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

The Cardinal Rule is . . . when you are out of cash you are out of options. Subsequent priorities are meaningless, not to mention a waste of time and energy. Is there sufficient cash? Where is it coming from? Is the source reliable and forecastable with some degree of accuracy? Can you sell assets (inventory, receivables, equipment, divisions or subsidiaries, etc.) to generate cash? How much is needed to survive, to get well? How quickly can cash be generated from sales? Build cash reserves . . . to keep the company moving in the right direction, additional cash is needed to fuel growth.

Obviously, a cash flow forecast is crucial, it should be a model that encompasses the critical variables. The real virtue in such a model is the relational aspects of the variables or the parametrics, that can forecast what may happen with a high degree of probability. Remember, cash is used for many needs that are not reported on the income statement; look to the balance sheet and be sure to consider all sources and uses when forecasting.

Rebuild The People Element.

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

Normally by this time key employees have left the company. The most valuable intangible assets are now diminished. You must operate with those that remain and fashion them into a cohesive team. Develop these dedicated employees to expand their skill sets because they will become your key replacements. Motivation is paramount. You can augment the on site team, but in the end the value in

the company will be tied largely to the employees that make the company run. The more finely tuned the team, the greater goodwill value will be placed on the company.

People are your most important and adaptable asset. Given a choice, you are better served when you have 'A' class people and 'B' class product . . . and not vice versa. Impart the vision, goals and timeframes, make sure employees understand, then move out of the way and let them surprise you with their results. They will step up and do more, given the opportunity.

People are the most challenging asset to manage. They are influenced by many forces. They are affected by events (controlled or otherwise) . . . those at home who are uninformed . . . others around them . . . what they don't know . . . and scarier yet, what they imagine. The best way to deal with these phenomenon is to communicate clearly and often with the work force — at all levels and be honest. When they believe the message is fair, they will respect the communication. Albeit, they may not like what is being said or what is going on in the company; they will respect the source and make their decisions accordingly. You can influence, but you can't change their final decision to stay or go.

Establish Leadership.

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

There are no unrealistic goals, only unrealistic time frames. It is requisite that a leader envision the ultimate direction and goal, guide the efforts to overcome obstacles, to surpass milestones and motivate all stakeholders to achieve results. The task is larger than just managing the employees. It demands becoming involved and being excited enough to win. When you try to move a company forward without leadership it is tantamount to disaster and you are asking for trouble.

The qualities of a leader in a troubled situation are much different than in a healthy company; time compression and intensified external forces cause a different environment in which to operate. A good corporate renewal professional can make the difference . . . he or she brings confidence, experience under trying conditions and enthusiasm that can be infectious to stimulate the transformation. The good turnaround leader will accept, manage and overcome the risk — and there is risk in every turnaround. Believe in the people, expect and plan for the best, but prepare and provide for the worst.

It is imperative for the leader to understand this environment, for how else can he lead to success? Imagine how important it is for the workforce. Does the leader do the work or produce the widgets? No, his or her work is to provide direction. The true prognosis is measured when the workforce, all levels in tandem, are pulling toward the same goals . . . to get well and make the company grow. When this occurs, the cultural setup will be self propelling and generate renewed momentum.

Put A Plan In Place.

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

Devise a realistic plan and detail the underlying assumptions that were used. The plan needs to address the who, what, where, when and how of increasing sales and cutting costs. It should be a focused, no nonsense plan that plays to your known strengths. More importantly, it must address the contingencies for the inevitable. . . some of your assumptions may prove wrong, the market shifted or some other unanticipated events put a damper on your plans. What happens then, in these conditions of change, is what will make or break the company. Don't become caught up in the minutia, break the plan into manageable tasks, provide guidance at the right level and implement.

This plan should address the issue of debt service in light of available cash, both today and in the future. If a debt restructuring is involved, when can the creditors and equity holders expect to obtain a return on their old and tired investment? If the wait is too long or the expectation of return is fraught with risk, they won't go along. Then again, if the alternative is liquidation they can only expect a few cents on the dollar . . . they will have virtually nothing more to lose and the level of cooperation may increase dramatically.

Communicate With ALL Stakeholders.

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

Whether an investor, creditor, customer, employee or owner, they all have a stake in the outcome and should be involved in the process. To exclude any interested party or slight the flow of information is a mistake that may be difficult, if not impossible to overcome. When a flow of real information is in place the parties become more involved, understanding of the situation and often more amenable to cooperate. Although, not an assurance of cooperation, count on major resistance from parties when information is withheld. It is human nature to be skeptical of what we don't know.

In communication the most important element is to establish trust with those that are involved. Never, ever, overcommit or fail to deliver what has been committed. Be realistic and be honest, if trust and cooperation are to be successfully developed. When you build trust, tolerance and flexibility will follow.

Rarely will all parties be happy with the way that things have turned out — quite the contrary. All stakeholders may have to reevaluate their expectations if the company is to reorganize and provide an opportunity for recovery. For certain, all stakeholders, by obligation, are part of the process. We naturally resist the possible fate of losing some, perhaps all, of an investment. It is never easy to accept loss, but not to be involved in the decision is catastrophe.

Execute A Marketing Blueprint And Selling Strategy That Delivers Value To Your Customer.

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

Why else will the customer buy whatever it is that you are selling, unless he perceives worth? Value is established in the eyes of the buyer . . . which is often different than the way that you view things. The

common mistake made by most managers is to think they know what is best for their customers — what a fallacy, not to mention the egotism involved. In reality, the customer and what motivates him is often unquestioned, unknown and ignored . . . and the disgrace is that this condition has been allowed to continue for too long.

Establishing the customer's "need based benefits" is key to consummating the sale. *Value* is measured at several levels . . . what perks initial interest . . . what motivates the sale in the first place . . . and what makes the buyer come back to order again? If you truly deliver value to your customer, be assured that he is willing to pay a reasonable price to realize it.

To generate sales or revenues you need orders. Obtaining orders efficiently is first a function of how well you position the company and its products and services relative to your competition; next it's tied to your ability to distribute what you are selling; but most immediately it is a revitalization of the selling force to create orders by closing on the known opportunities at hand. Business rarely occurs just because you show up. Execution is 1% inspiration and 99% perspiration. It is essential for the sales force to focus on the right issues to close new business . . . locate and cultivate a relationship with the decision maker, enhance the perceived value in the mind's eye of that decision maker, determine that budget is available to purchase and most importantly, close the transaction and take the order.

Don't confuse bringing home the order with doing so at any cost. Orders must contribute to gross margin . . . often at an improved margin ratio if the business is to regain health. Overcome the tendency to sell at any price just to generate cash . . . to do so will diminish the perceived value and send the wrong message. The customer will purchase when perceived value is greater than or equal to the price to obtain the product or service. It is unwise to expend time and effort greater than your gross margin to close a new order. Sell what you can provide today to those you know.

Often forgotten in providing value are two important supporting elements, manufacturing's ability to deliver on time and customer service. You must ship the product for revenue to be recognized. In some cases manufacturing know how can provide a competitive advantage and create a barrier to other competitors. Reliable products improve customer satisfaction and reduce your overall operating costs. Cost reductions make you more competitive and increase profits . . . they also reduce the drain on cash.

Your company image and future are on the line — and customer service is a key opportunity to differentiate both. Happy customers pay their bills on time and receivables cease to be a problem when the customer discerns value and ongoing support. Service is critical to filling your customer's need. Every employee is a salesperson and their attitude counts . . . from the way they answer the telephone . . . or respond to requests . . . to the timeliness and completeness of problem resolution.

Make Decisions That Focus On The Important Issues, The Priorities, That Influence Change And Transform The Company.

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

Remember, Cash is king . . . capable people are the scarce, adaptable resource required to execute . . . leaders establish priorities, communicate them to those who can affect change and stand behind a consistent message . . . build confidence and communicate with all stakeholders . . . fill a basic customer need and deliver a product, not the technology, that satisfies that perceived need . . . emphasize and sell value and benefits received rather than price . . . respect and service your customers. . . and concentrate on relentless execution.

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

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[Index](#)

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

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