



Steering Clear of Business Shoals

Early Signs of Trouble
What To Do ...
What Not To ...

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Executives in Session

Marine Trades Association of Maryland







Strategic Management Partners, Inc.

Turnaround Management,
Strategic Repositioning,
Board Advisory, M&A,
Build Value to Attract Capital,
New Capital Infusion,
Asset & Investment Recovery









Summary Bio

John M. Collard



The Hot Seat

Operating Manager	35+ Years in P/L Management/Turnarounds Public & Private – High & Low Tech – Fed'l, Com'l, Int'l
Turnaround & Crisis Manager	Asset & Investment Recovery over \$85M, 25+ yrs TA Trans Union, Lockheed Martin, CSC, CyberDyne, NTG, SMP, Turnaround, Restructuring & Distressed Investing Hall of Fame, Top 12 Outstanding Turnaround Firms [<i>twice – 16th</i>], Maryland Small Business of Year, Governor's Citation, Certified Turnaround Professional (CTP), Past Chairman TMA, Certified Int'l Turnaround Manager (CTIM), Prince George's Business Leader of the Year, Global Turnaround Atlas Award – TA Firm of the Year, Advisor= Bush ^r , Clinton, World Bank, EBRD, Russian Gov'l, T/A Technique, Investing, B/R Law Reform, Privatization
Money Manager	\$80M Private Equity Restructuring Fund
Business Developer Revenue Generator	Over \$670M+ Systems Integration & \$280M+ Com'l growth Manufacturing, Computer, Electronics, High Tech Industries
M&A, Divestitures Deal Flow	42+ Transactions, \$780M+ revenue or leased asset value, bought or sold for \$500M, eight major industry segments

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"If you find yourself in a hole, stop digging."
- Will Rogers

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**Need 3 Things ...
For A Turnaround**



Revenue Growth
*Build Enterprises ...
Future Buyers
Want to Invest In!*
*Hard, in Tough Economic Times
Buyers Are Holding Back*

Management
*Why Failure, Signs,
Recovery,
Phases and Actions*

Capital
*Finance The Turnaround
Banks Aren't Lending
Focus to Attract Capital*

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Ten Steps Toward Growth

- Management
- Turnover
- Communications
- Planning
- Compensation
- Sales Growth
- Customers
- Market Analysis
- Reporting
- Expansion



**Plan Ahead.
Avert Troubles
Latter On.**

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Businesses Fail Because of Mismanagement

Autocratic Management, Overextension
 Ineffective, Non-existent Communications
 High Turnover
 Neglect of Human Resources
 Inefficient Compensation & Incentive Programs
 Company Goals Not Achieved or Understood

Deteriorating Business, No New Customers
 Inadequate Analysis of Markets & Strategies
 Lack of Timely, Accurate Financial Information
 History of Failed Expansion Plans
 Uncontrolled or Mismanaged Growth

*Ask Questions ...
 If You Answer Yes[®], Then Call for Help*

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Avoid Management Over-Extension & Denial

- ❏ Do work for which no one else is qualified.
- ❏ You can't do everything yourself.
- ❏ Delegate & Monitor.
- ❏ Define owner's/key manager's roles.
- ❏ Retain competent people - Replace if not.
- ❏ Stay informed without being immersed in detail.
- ❏ Deal with the issues.

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Change Leadership Style

Skill	Stable or Growth Scenario	Turnaround or Trouble Situation
Focus	On Objectives	On Survival, Action, On Problem Solving
Decision Making	Deliberate	Decisive, Immediate
Authority	Delegate	Direct Involvement
People	Develop	Recruit Talent, Communications
Respected For:	Management Reputation	Financial Credibility
Known For:	Consistency	Ability to Shift Gears

Crack the Whip

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Important Management Team Members



Ferret. To find cash in assets, overhead expenses and all other cost areas.

Lion. To defend the company against attacks.

Bulldog. To guide operations through the rocky shoals of building period without losing anything of value.

Beaver. To build an operating plan based on changing capital structure.

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Key Psychological Characteristics



Heart is the inner drive that impels a person to make sacrifices to build and support the company.

Courage is the inner strength to stand up to the most severe attacks without backing off.

Ability to Cooperate is awareness of when to push or pull, but work as a team to grow.

Understanding Leverage is an internal sense that the company needs time, cash and supporters, coupled with a divining rod for locating all three.

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Control Employee Turnover



Clearly define:
Responsibilities, Expectations,
Rewards, and Authority.
Spend time with new employees.

Employees see underlying problems . . .
Replacement costs are high.
Keep it interesting, challenging.

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TopTen 10

Communicate Effectively

'Bull Sessions'
Where little is accomplished . . .
Is the fault of the leader.

- Establish an agenda and stick to it.
- Limit scope of topics and participants.
- Set an example by managing meetings.
Your team will manage the company.
- Listen . . . They have something to say.
- Sharing Information increases Motivation
- If you have a point, make it.



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Articulate Goals Clearly . . . Then Get Agreement

Be a Leader!

Failure to achieve goals suggests lack of clarity about owner's real objectives.

Obtain 'Buy In' (Management & Employee).

Set Goals & Timeframes -
Hold people accountable!

Communicate Methodology:
to Measure and Reward

Goals must have substance -
or they can't be achieved.



LEAD, FOLLOW, or Get OUT of the WAY

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Strategy

Create Mission Statement

Aimed at Capturing New Business

How will we sell more products (new) to existing customers?

How will we sell existing products to new customers, new markets?



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Design Compensation and Incentive Plans to Get Results 10

- Reward for successful job performance. Don't pay when NO performance.
- Compensation structures often fall short.
- Be careful what you pay for - you might just get it.
- Pay incentives on gross margin, not gross sales.
- Piece Rate for cost control.
- Hours Billed vs Hours Worked
- If Goals are achieved then there will be \$ to pay Incentives



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1 to 1, Incentive-Based Management Processes

Manager's Bonus:
 50% on what they directly control
 30% on what they can influence
 20% on how the whole company does

Worker-Bee's Incentive:
 Piece Rate does wonders to control cost
 % improvement on *hours billed versus worked*

Use Contracts When Possible:
 Establish Key Employee Commitment





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Obtain New Business at Increasing Levels 10

If Not... You are out of touch with marketplace.

- Manage Price, Be Responsive
- Understand Specific Customer Needs
- Commit To Winning New Business
- Bid To Win; Then Manage For Profit
- Develop 'Do What It Takes' Attitude
- Take the Low-Hanging Fruit

Golden Rule of Selling:
 Sell unto others the way they want to be sold to.



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Balance Sales Revenue
Fill Seasonal Gaps

New Lines of Business
Special Projects
Winter Storage or Prep



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Nurture Key Client Relationships



- ⌘ Meet your customer's needs.
- ⌘ Stay informed.
- ⌘ Change with the market.
- ⌘ Provide quality service.

Determine why relationships may be deteriorating . . .
Poor market conditions?
Poor service from you?

Worst of all, you may not know.

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Market, Μάρκετ, Merc 3us

- 📄 Promote your Company.
It is less expensive to create awareness of a product that meets an existing demand, than it is to develop a new market for existing products.
- 📄 Identify key competencies to yield customer benefit.
- 📄 Use Internet & Press Resources to compliment traditional.
- 📄 Market Yourself.



"Have you seen the latest issue of the 'Journal'? It's all 'Market Culture' this, 'Market Culture' that and nothing about us."

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Analyze Markets and Competitors Top Ten 10

Products in search of markets?

- Create product awareness to meet existing demand.
- Developing a market can be costly.
- Identify key competencies to yield customer benefit.
- Understand your customer.



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Identify Customer Needs Sales

- The engineer wants to create a 'Rembrandt'...
- Keep 'Bells and Whistles' to a minimum.
- Ask your customer... Simple but effective.
- Bill 'Only' what they ask for ... Then Locate Change Orders
- No Surprises ... Communicate Superior Customer Service



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Perception is Key Sales

It Can . . .

- Confuse the competition . . .
- Comfort the customer . . .
- Fool yourself!



Hello Handsome!

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Demand Accurate, Timely, Pertinent Management Reports

TopTen 10

Are you managing to P/L performance, or cash flow?

CASH FLOW is the best indicator of a business' health.

Determine performance at each 'Center' level of the business:
Profit - Cost - Cash - Incentive.

Prepare forecasts:
Manage to them. Update often.



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Metrics are Key . . . To Watch Basis of Measurement

Processes

➤ **Relationships** tell the story...
Not just P/L, B/S, Source & Use

➤ **Revenue... Volume In**
Existing versus New Business
Revenue (or cost) per employee
Average Revenue per job or unit

➤ **Throughput... Volume Out**
Hours Paid versus Billed
% Improvement vs Stability

➤ Look for **Changes** in Ratios and Trends



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Expand Carefully

TopTen 10

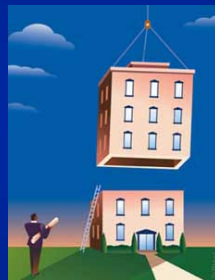
➤ Setbacks drain cash, time, and morale.

➤ Why do plans fail?
Inadequate Cash.

➤ Manage Change.
Analyze, Control.

➤ Model success to produce growth.

➤ Build around a Business Unit Manager



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Establish Strong Capital Structure



- \$ Create Reasons to Invest
- \$ Secure New Capital, Keep it Coming
- \$ Manage Tranche Infusions Carefully
- \$ Provide Exit Strategies

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Business Owners Often Resist Outside Advisors

A variety of misconceptions and myths abound.

The Specialist:

- ❖ has "no heart"
- ❖ doesn't understand culture
- ❖ has private agenda
- ❖ has no loyalty from employees
- ❖ will steal ideas or techniques
- ❖ will not have to live with recommendations when gone



Advisors CAN Make the Difference.

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Help is Available

Advisors Can Provide:

- Contacts** - Customers, Suppliers, Personnel, Lenders, Investors
- Industry Knowledge** - Strategic Repositioning, Plan Preparation
- Financial Structuring** - Customize Right Side of Balance Sheet
- Capital Infusion** - Acquisition, Divestiture, Debt, Equity
- Attract Talent** - Management, Sales, Marketing, R&D, Operational
- Financial Modeling "What If"** - New Markets, New Methods
- Discipline - Credibility - Time - Perspective**



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Expect the Unexpected
Turning a Business Brings Uncertainty



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Some Parting Thoughts

- Never Give Up
- Continually Market Yourself
- Don't Take Business Personally
- Focus, Set Your Mind To Achieve
- Tie Employees to YOUR Goals
- Be Consistent in Application
- Impact what you CAN control,
 Don't worry about what you CANT
- Good Luck to You All

Emotion Should Not Drive Business Decisions

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Caveat Emptor
It is never quite what it seems!



Change is Eminent! Expect Surprise!

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A Final Word of Advice:
DON'T EXPECT MIRACLES OVERNIGHT

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Questions from our audience?

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Reference Info
Interesting Links

SMP Knowledge Room

Strategic Management Partners, Inc.
www.StrategicMgtPartners.com
www.StrategicMgtPartners.com/antam.pdf Slides
www.StrategistLibrary.com

Recover & Preserve Value: Working Successfully w/ Turnaround Pros
 Asset-Based Finance Journal
www.StrategicMgtPartners.com/abfvalue.pdf

Is Your Company In Trouble?
 Corporate Board
www.StrategicMgtPartners.com/tcb.html

Incentive-Based Management
 Show Them the Money
 Fabricator Magazine
www.StrategicMgtPartners.com/library/ibmfab.html

More ...

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