

The Second Chance Man. Collard: Strategist Reviving Failing Businesses

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The Baltimore Sun published a Feature Story of Interest about John M. Collard, turnaround specialist and equity investor.

The Second Chance Man
Collard: Strategist Reviving Failing Businesses

By Ted Shelsby
Sun Staff Writer

When an office supply retailer, a boat repair company and a manufacturer of spy proof computers found their businesses seriously ill and in need of resuscitation, they all took the same actionâ€" they called John M. Collard, a corporate version of Marcus Welby M.D.

Mr. Collard is the founder and president of [Strategic Management Partners, Inc. \(www.StrategicMgtPartners.com\)](http://www.StrategicMgtPartners.com), an Annapolis based transition and management turnaround company that tries to rescue businesses suffering from such ailments as anemic sales, inadequate cash flow and swelling overhead.

His clients may not be in their death throes but many are on the verge of slipping into bankruptcy.

Air Works Inc. is one example.

The Annapolis company repairs inflatable boatsâ€"everything from a tiny tender to ferry passengers to 44 foot long rafts, capable of carrying 20 passengers, used by the Coast Guard.

"We didn't know much about business when we got started," said the company's president, Howard L. Shure. "We made every classic mistake of a small business. We grew too rapidly. We didn't cover our overhead. We didn't set prices properly."

"We had dug a deep hole for ourselves. I had this bunker mentality that if I worked harder, we would get out of this situation, but it wasn't working. Our creditors were upset and we were close to bankruptcy."

That's when the call went out to Mr. Collard.

"In the beginning, I was very skeptical," Mr. Shure recalls. "John didn't know a thing about repairing air leaks in inflatable boats. But within a half hour I knew he understood business and he was at the heart of

our problem."

"I thought my business was unique, but John said 'All businesses are the same' if you don't have enough sales volume coming in to cover your overhead, you're in big trouble."

Mr. Collard beefed up the marketing program and put in a computer system to assist in pricing and to monitor costs associated with repair jobs.

"He told me to get out of the shop and do more selling. I went on the road, calling on military and commercial customers that used inflatable boats. We bought a list from the state of everybody in Maryland that has a boat. We made a direct mailing to everyone that had inflatable boats. We visited each of my creditors' in person' and worked out new terms."

The result, Mr. Shure said, was "our sales jumped from \$280,000 to about \$500,000 almost immediately." This was in 1992. Today, he said, sales are running about \$1 million a year and growing.

"We were on the brink," Mr. Shure said. "We were going down and John really pulled us out."

Even when the situation is more dire, clients say Mr. Collard lends a critical hand.

George R. "Randy" Stevens, for instance, ended up losing his business, but he credits Mr. Collard with saving his home. Mr. Stevens was a part owner of the Help Office Supply chain headquartered in Annapolis. Increased competition from such industry giants as Office Depot was killing his business.

To make matters worse, Mr. Stevens had used his home as collateral on a personal loan to fund the office supply company. There was nothing Mr. Collard could do to save the office supply company, Mr. Stevens said, but the turnaround specialist assisted an out of court liquidation of the business, thus saving his home.

When redirection is required, clients say Mr. Collard is very creative.

The general manager of a \$33 million dollar weapons systems contractor credits Mr. Collard with repositioning his business. With sales down by 25% due to defense spending cuts, no new contracts in three years and no business development function, the future looked bleak.

John helped the company get back on track by making management focus on the core strengths of the business and apply these strengths in a new environmental market. Today they're winning new business and growing rapidly (tripling sales).

For his role in reviving Air Works, Mr. Collard received a 51 percent interest in the company. Mr. Shure takes a philosophical approach to the price he paid to save his company.

A piece of the business

"At the time we couldn't afford to pay his consulting fee so we offered him a piece of the business. The

way I see it, it is better to have 50 percent of something than 100 percent of nothing," Mr. Shure said.

Mr. Collard has taken equity interests in about 15 percent of the companies he has worked with and he said it is usually done in a move to lower his normal \$350 an hour consulting fee.

"It is only done when we have control to make the necessary decisions," he said.

"There are times when I take less salary, if I have an interest in the company or if there's a bonus based on how successful we are," he said.

Mr. Collard is not the only business doctor making house calls these days.

The [Turnaround Management Association \(www.turnaround.org\)](http://www.turnaround.org), a national trade association based in Chicago, has about 8,000 members. Mr. Collard is past-chairman of the group and one of just 300 in his profession to have passed the association's newly implemented certification testing and background investigation program, to become a [Certified Turnaround Professional \(CTP\) \(www.actp.org\)](http://www.actp.org).

Turnarounds & Workouts Magazine, published by the [Beard Group \(www.beardgroup.com\)](http://www.beardgroup.com), a Frederick based research firm specializing in insolvency and financially troubled companies, has twice listed Strategic Management Partners, Inc. as one of its 12 outstanding turnaround companies.

The publication selected Strategic Management Partners, Inc. for its work in defense conversion, particularly for its efforts in transforming federal government contractors into companies able to compete in new commercial markets both in the United States and abroad.

Mr. Collard, went into business for himself in 1988 after his employer, Computer Sciences Corp., reorganized and offered him a transfer to Boston or California.

A graduate of Southern Illinois University with degrees in architectural engineering and financial management, he pondered his experience at Computer Sciences and Martin Marietta Corp., where he had been involved in the transition of company divisions from government to commercial markets, and came to conclusion: What he did best was take divisions that were not doing well and turn them around.

"Once I realized that, things happened fast," he said.

"I decided in 20 minutes to start my own company. My product was taking a troubled company and turning it around and there was a market for that product." He said the majority of his clients are mid-atlantic defense contractors or companies doing business with other parts of the federal government that have been hit hard by budget cuts in recent years.

Although he has aided several smaller businesses in the Annapolis area such as Air Works, Mr. Collard said most of the companies he works with range in size from \$10 million to \$75 million in annual sales.

Mr. Collard said he has worked with about 30 clients since starting his company, and annual revenues totaled about \$500,000+ last year. He said about 85 percent of them improved after his intervention.

"It is hard for me to say if the patient would have lived or died. Whether a company is a success or a failure depends upon the management team because they make the decisions. I might prescribe the medicine â€" move them in a new direction or change something else they are doing â€" but they may not take the medicine," he said.

Looking back on his experience of doctoring companies, he said the most common mistake made by clients is to deny having a problem.

"It takes a mature manager to say 'Hey, we're doing things wrong and we need to change.' This goes against people's nature."

"I can't remember how many times I have gone into an office and heard the head of the company say, 'There's my problem â€" that bank.' I would say, 'No, the bank is a symptom. You have a cash flow problem.' "

He said his goal is to preserve the value in a company for its future sale. He usually works alone, but Mr. Collard said he can tap into a network of people with other skills to help a client. Another tactic is to bring in equity investors if an infusion of capital is needed to help rescue a failing company.

When Mr. Collard is called in, his preference is to take over temporarily â€" about six months â€" as chief executive rather than to serve as a consultant.

Not a control freak

"I like to have control. I'm not a control freak, but when I spot a problem it is easier to make the decision to solve it if I have the authority to make those decisions."

He did this with his first client, Delta Data Systems, a Columbia company that produces security computers for use by the military and other government agencies. Unlike standard computers, the Delta equipment featured special metals and screening to prevent spies outside the building from using electronic equipment to tap into the computers.

Delta had prospered but by late 1988 it was being hurt by increased competition from such giants as AT&T, which had recently won a big contract to supply the government with the same type of computer equipment.

Robert Cross, chairman of Delta at the time, hired Mr. Collard as president and chief executive to help reverse a downward trend. But things did not turn out as well as they did at Air Works.

"You can't blame John," said Mr. Cross. "I think we came up with a plan that would have been quite good for the company by expanding into the systems integration business. But we were never able to fully implement it." He said Delta's parent, TeleVideo Systems Inc., in San Jose, Calif, was opposed to change and did not want to put any more money into Delta. As a result, Mr. Cross said, Delta filed for bankruptcy protection and was taken over by another company.

Reference:

[Library: The Second Chance Man](#)

www.StrategistLibrary.com

www.StrategicMgtPartners.com

About the Principal

John M. Collard, is Chairman of Annapolis, Maryland-based Strategic Management Partners, Inc. (410-263-9100, www.StrategicMgtPartners.com), a nationally recognized turnaround management firm specializing in interim executive leadership, asset recovery, and investing in underperforming companies. He is Past Chairman of the Turnaround Management Association, a Certified Turnaround Professional, and brings 35 years senior operating leadership, \$85M asset recovery, 40+ transactions worth \$780M+, and \$80M fund management expertise to run troubled companies, and advise company boards, litigators, institutional and private equity investors.

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