



## **Awake at 3 AM?**

***“Business Worries Keeping You Awake? Good. Complacency & Avoidance Will Kill Your Business; Worry is Your Wake Up Call!”***

If you're awake at 3 AM worrying about your business; it's time to stop the anxiety and sleepless nights and take action. Fear causes a host of psychological and physiological changes in reaction to danger - pumping adrenalin into the system and preparing us for action, whether it's fight or flight. Whether you are a corporate executive (CEO, COO, CFO), the head of a private enterprise or an entrepreneur, and whether your focus is on aviation, retail, distribution, manufacturing ... the following information provides an overview of Turnaround strategies and some suggestions for alleviating those late night business worries.

### **Fear of business failure**

Fear of business failure isn't that different. And, if you are up in the middle of the night wondering if your business is going to survive, hoping you can save your career, and worried about your people – you need to learn:

- the early signs of business failure
- methods to avoid enterprise breakdown
- the best weapons & tools for fighting company failure
- recognizing and turning around profit erosion

### **Executive Mindset Failure**

We've all seen smart business executives fail. Did you ever wonder 'what was the root cause for the failure of notable companies and intelligent executives'? Sydney Finkelstein sums it up well in his book, "Why Smart Executives Fail". His research documents and diagnoses of the root cause – 'executive mindset failure'. In other

words, many companies fail because of breakdowns in how corporate leaders perceive their organization's reality. The fundamental errors in judging opportunities and problems that stem from an unrealistic perception of a company's reality leads to further breakdowns in strategic thinking and management.

So, if you are up at night pacing – be thankful. Your fear and anxiety are telling you something is NOT right. It's time to act; hopefully, it's not too late. If you, or others in your organization, have been trying to placate the worry with the self delusional attitude that things will improve – you are on the path to failure.

### **Reality-based focus.**

Have you silenced the managers who challenge your perception? Have you experienced organizational and procedural breakdowns and just moved on without a critical evaluation? Don't wait until your safety net collapses and time runs out. A 'reality-based' focus may be the only thing that will help you save yourself and your company.

### **Ask yourself these Key Questions and answer them honestly:**

1. Is the business struggling to maintain profitability? If you have not yet reached profitability, how long has it been unprofitable?
2. Is the Bank or Lead Investor actively pursuing you for continual reassurance that your business is doing OK?
3. Is your management team passively running the business as observers without a clear reality perspective? Do they wonder where all the business went? Do they fail to question, challenge, and provide solutions?
4. Does the financial side of your enterprise lack 'reality-based' controls? Do you question the effectiveness of the controls that are in place?
5. Are you constantly surprised by operational, financial, management situations and problems?

If you answered yes to any of the Key Questions, it is time to focus on a reality. It may be wise to get everyone on your team involved in an in depth analysis of the company. Then 'GET REAL' with everyone connected to your enterprise – internal and external stakeholders. Review, revise as needed, and reduce expenses, inventories, waste, suppliers, contracts, and staff.

You and your leadership team may have been distorting or ignoring reality for a short time; if so, you can probably get back on track. You may be able to turn the company around yourself, or with the help of your management team. Implementing the most effective and efficient corporate renewal may require outside guidance, expertise and support. Depending on the amount of time your company can 'flounder', you may want to avoid experimenting when an expert can affect change faster and with higher probability for success.

### 10 Steps to 'Righting' the company...

In 'righting' the company, there is a path that includes ten important steps you should follow to avoid compounding problems and bringing about the potential failure of your enterprise:

1. **Take a hard and realistic, brutally honest look** at what's going on in your company. What's working and what's not working? What's changed? Just because you're successful doesn't mean you shouldn't be on alert – one of the early signs for failure is success. It breeds complacency and a delusional belief that the practices and leadership which created the company's initial success will protect and continue the company's success over the long haul. It won't! As the company evolves, so must its leadership and direction.
2. **Protect yourself and your family from the enterprise's creditors.** It's not unusual to have personal guarantees attached to financing agreements. In these cases, consult an estate planner or attorney to shield your family's assets.

**3. Choose a qualified Turnaround Professional.** While it's great to have a personal recommendation for a Corporate Turnaround or Renewal expert, be sure you exercise due diligence in vetting the consultant's qualifications. There are professional organizations and certifications that will help ensure you are placing your faith and your business in good hands. The Turnaround Management Association ([www.turnaround.org](http://www.turnaround.org)) is one example of a world-wide professional association that can assist you in finding and researching qualified industry specialists.

**4. Determine if success is possible.** The objective of a turnaround professional is to put the company back on solid ground, lead the enterprise to increasing profitability and position the company and its leadership to realize their full potential. However, not all failing companies will survive a turnaround. A qualified Turnaround Professional will make this diagnosis part of their initial assessment. After analyzing the overall business situation, the company is put in 'triage'.

A turnaround professional must assume the role of corporate healer with the power to make the changes required. Often, the changes must be made quickly, sometimes with the 'detached manner' of a surgeon who can not hesitate as he opens the body to remove disease. Sometimes, the 'corporate surgeon' may advise emergency treatment to 'stop the bleeding' so that there is time to increase profits enough to satisfy creditors and minimize the personal liability of the principals.

Depending upon the long-term prognosis, a turnaround professional may recommend the company may be positioned for sale; assist in identifying prospective purchasers; and, help negotiate a price that maximizes the capital available for distribution. Sometimes, the turnaround process leads to successful takeover bids.

If the enterprise can not be salvaged, listen closely to the analysis of the turnaround professional. This is not a decision a turnaround professional enters into lightly, and a well-trained professional will provide you with an

unemotional, financially sound opinion. Ask for alternatives to a turnaround; but, there is no point in investing money in a hopeless situation. A dedicated turnaround professional will assist you in minimizing damages and losses. If the company can be salvaged, prepare yourself and your team for big changes.

- 5. Change your attitude.** It's time to take a new course/direction. What you have been doing isn't working, so if you expect a different result, you must employ a revised strategy and tactics. For a successful turnaround, corporate leaders must agree that changes are necessary and required right away. Any team members who remain in a state of denial are a detriment to the success of the operation. The leaders and managers who have contributed to the problems must accept responsibility for their actions and be empowered with the confidence to move forward making the necessary changes for a successful turnaround or they must be removed. During the triage stage the company's overhead must be reduced, value propositions (the added value in terms of benefits and experiences potential customers/clients will receive as a result of their relationship with your company) are refined, products and services are narrowed in scope and staffing is reduced and reorganized for maximum efficiency.
- 6. Develop and Implement the Turnaround Action Plan.** During Triage, critical steps are taken to 'stop the bleeding' and help the organization survive while a complete diagnosis and treatment plan can be developed and implemented. This is a critical period and requires professional attention to the people-side, balancing the upheaval of an organization with the emotional effects of lay-offs, departmental eliminations, and benefit and compensation reductions. A professional turnaround specialist will lead the executive management team in developing an Action Plan. The primary focus of the Plan must concentrate on conserving cash to the greatest extent possible. Through implementation of the Action Plan, and

improvement in revenue, gross margin and profitability, the company is now in position for successful restructuring and turnaround. With the company stabilized, the business, its leaders and staff will begin to experience some sense of order again. As the new shape of the company emerges, those who accept change and embrace the spirit of survival will succeed. Those who hang on to the company's traditions and past will encumber the business and lead it to ruin again.

- 7. The challenge of restructuring the company** is a slower, more involved process. It is a phase that often requires changing the corporate culture, repairing damage to the brand, rebuilding the leadership team, creating a more attractive value proposition and realigning the company's product and service offerings. As the company enters the rebuilding stage, fundamental changes are required in:

- Business processes
- Products & services
- Operating Costs
- People
- Pricing
- Contract Compliance

- 8. Start Living & Enjoying.** It's a New Day, a New Company – don't look back. Yesterday should never come again if we remember the lessons we learned. It's time to enjoy the stability and work daily to sustain profitability. It is now time to initiate marketing programs to expanding market penetration, develop new products and services, rebuild alliances, secure financing and implement cost-saving or revenue-building systems. Celebrate the new corporate culture that is 'reality-based' and aware of the pitfalls of complacency and 'mindset failure'.

- 9. Measure Your Results** – commit to measuring your results weekly, if not daily. Be aware of what you should measure and how to correctly evaluate the results. Ask yourself, "Who is this measurement important to and what

does it tell me about my business?” Ask your Turnaround Professional to assist you in determining the right metrics for your business, your sector, your market, your niche.

**10. Finally, remember, in business - CASH is KING – Always & Forever!**

Protect it. Know how your company makes it, loses it, invests it, spends it, and wastes it. You’ll sleep better!



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