



Managing In Uncertain Economic Times

By: Larry Turner

Turnaround... Tough Times... Terrible Economy. Call it what you will, in any case it takes a special focus to manage in a down turn and be able to emerge positioned to grow. I have managed organizations that required turnaround skills as well as hyper-growth, and there are challenges associated with both. Turnaround management skills require you to improve or stabilize financial results without putting the company in a death spiral.

The best turnaround management includes not only cost cutting, but more importantly increasing or stabilizing revenues. Any cost cutting effort without an eye to the revenues will only result in continued cuts in an attempt to improve bottom line, which in the end could destroy your company. A focus on the following areas is necessary when managing in uncertain economic times and/or a turnaround situation.

- 1.) **Employees** – Employees are your most important asset. Any headcount reductions need to be made swiftly and humanely, while reassuring those that remain of their importance to the turnaround effort. Try to orchestrate all near term headcount reductions at one time; this reduces the concern by the remaining employees of future reductions in force. When making decisions on employee reductions work to retain customer facing positions and any “tribal knowledge” workers. You will need the customer facing employees to help maintain and develop revenues, and the historical company knowledge (referred to as “tribal knowledge”) will be necessary to run your business in the short term and then again after emerging from the crisis.

A key area of managing your employee base during these times is communication. In fact, there is no such thing as over communication during difficult times. In the absence of information your employees will fill the void with what they think is happening, and most times it is untrue and detrimental to moving the company forward. Refer to the November 17, 2008 post in this blog for a complete discussion of employee communication.



2.) **Suppliers** – Communicate with your key suppliers to update them on your situation and status. Treat these relationships as key partnerships. During the discussion focus on your goals, timing and action plan. Use this as an opportunity to consolidate suppliers and leverage the increased volume with key partners to assist you with your turnaround effort.

3.) **Customers** – Customers are the lifeblood of your business, and you cannot risk your top customer’s hearing about any turnaround effort through the grapevine. They can and most likely will hear about any difficult time you are managing from your employees or through the internet. Be proactive and discuss your situation with key customers. Visit them in person when possible and reassure them that you are focused on emerging a healthier company prepared to serve them well into the future.

This is also the time to review profitability by customer and make the difficult decision of firing those unprofitable or marginally profitable customers. The client meeting is a good opportunity to discuss a price adjustment that brings them in line with your objectives or terminating the relationship. It will not be a comfortable discussion for you, but it is something that needs to be done and done quickly.

4.) **Partners** – Partners may be a dealer or VAR sales channel, joint venture partners, or banking/finance partner. It is necessary that you communicate openly and honestly about your situation along with the recovery plan in place. If you have not heard from your banking/finance partner yet, you will, so be proactive and present your plan of recovery along with timelines. It is good with this constituency to be very conservative in your recovery plan, so you feel comfortable the company can achieve the results even with any unforeseen issues that will arise.



- 5.) **Focus on Cash Flow** – Now is the time to focus on your cash flow. Have your finance group develop a rolling 13 week cash projection. Have a key management meeting revolving around cash flow to review progress and plan steps to improve the projection. P&L reviews are nice, but they are inherently poor for this activity, due to all the non-cash accruals embedded in the document. Focus on cash generation and cash preservation activities.
- 6.) **Leadership** – This is the time your company needs you most. Demonstrate confidence in front of your workforce, even if behind closed doors you and your management team are having violent discussions on the turnaround plan. Your employees need to see a common front from the management team, so they can confidently follow your leadership and the direction to improve company results. Once again, communication is key to building this confidence and providing regular feedback on the progress the team is making.

Turnaround management is not fun, but administered correctly you can emerge from difficult times poised to take advantage of opportunities. Take advantage of your advisory board as input to your plan, and hire an outside consultant to help with your efforts.

Larry Turner is CEO of Roundhouse Advisors, Inc. and has over 25 years experience growing, starting up, repositioning, and revitalizing organizations. Roundhouse Advisors is a consulting practice focused on helping businesses increase enterprise value in all stages of company life cycle. For additional information visit www.RoundhouseAdvisors.com