



Welcome...

The recovery is just around the corner, or is it?

If one thing has become clear by now, it's that the future is cloudy and uncertain. For every piece of encouraging news, there's one that's equally dismaying.



In this uncertain environment, it's appropriate that Jeff Thommes, one of our associates, offers some insights about what business executives know or, more accurately, think they know about turning around a troubled operation.

As Jeff points out, leaders of successful businesses tend to know the right formulas for moving ahead but they're not always equipped to deal with the consequences when the growth model runs off the track.

While we hope your business keeps moving in the direction you've planned, Jeff's observations constitute an important message for all of us: Avoid overconfidence and be smart enough to recognize that a knowledgeable outsider taking a fresh look at your business can show you things you never knew.

We hope you find this article helpful, and we'd be pleased if you forward it to others who might be interested.

For additional information on us, visit www.beaneassociates.com

Sincerely,
Tom Beane, President CMC CIRA

Tip Sheet

If your business is in trouble, and you're seeking help from a turnaround consultant, here are a few key questions to ask.

- What's your turnaround philosophy? Why do you think it might work for my company?
- How do you work? As a consultant, as a temporary employee? Do you work solo or with a team?
- Tell me about some of the turnaround work you've done for others. Explain how you approached the problems, and how you resolved them.
- What other types of professionals should be part of my turnaround team? How do you work with them?
- Who handles the negotiations with our creditors? If we've got tax issues, who deals with the IRS?
- Please provide a list of references. Look for a variety of contacts, including management, advisors and other professionals.

Conventional Wisdoms of Turnaround by Jeffrey Thommes

We often talk about the "conventional wisdom," the term often attributed to economist John Kenneth Galbraith to neatly describe widely accepted truths held without proof that become additional and unnecessary obstacles to success. And we often hear trusted "experts" confidently espousing the conventional wisdom, making it even harder for us to determine what is so and what is not. As a turnaround professional who once worked for a company that needed turning around, I've heard — and observed — many conventional wisdom barriers expressed from both sides of the table.

Most people connect quickly with the phrase that "it's not what you don't know that can hurt you; it's what you know that isn't so." In fact, those involved in turnaround management long enough realize that you can just as easily be hurt by both.

For most challenged businesses, the first awareness of turnaround firms occurs during better economic times. I know because I was there. Like most everyone else I felt that this was help I would never want or need. I believed that experienced leadership and talent within a business avoided big problems and delivered results — but that's not always true, and especially not today. Through my experiences, I've found that some of the conventional wisdom I held to can lead to avoidance and resistance to expertise that really can help. Here are some examples of conventional wisdoms that I have witnessed.

We can't afford any "help." We'll wait until we emerge or have no choice. Time is not on your side. Nearly all distressed businesses enter a realm that is beyond in-house expertise and requires immediate attention. Waiting too long to bring in expertise usually results in more costly outcomes with fewer opportunities than preemptive action can deliver.

We can do this on our own. Any purposefully practiced skill combined with extensive training can become expertise. In nearly all cases, however, a management team's excellence lies in moving its operations forward, not in turnaround. The same skills that make the team excellent in good times become detriments to solving the distressed situation. It's human nature — we just fall back to the things we are good at to resolve problems. This results in statements like "we just need a little more _____." Fill in the blank. Relief? Sales? Time? Money? Trying to figure out what you really need sucks up time and puts you in a deeper hole. It's far better to get and accept help.

A turnaround firm — especially if promoted by a lender — does not have my best interest in mind. Few businesses recognize how to prioritize properly when they're in distress or approaching it. This is particularly true when obligations seem to shift from the familiar customer or shareholder to a creditor. Inappropriate interpretation at this stage can be devastating. Your creditors don't want to lose you as a customer any more than you want to lose customers. Losing you hurts them too. It is in everyone's best interest to properly define and align business priorities. Good turnaround firms are expert at defining and guiding realistic priorities and will be direct in their assessment.



Accepting the path to change and supporting the required cultural shifts associated with it remain a leadership challenge to your success.

We can't afford any "help." We'll wait until we emerge or have no choice. If you deal with a firm who implies or tells you there are tricks to getting out of a bad scenario or in dealing with your creditors — run. You are being sold a bill of goods. Success in distress comes through direct and open development of facts that result in realistic plans executed with discipline and hard work. A good and reputable turnaround firm will tell you this even if it's not the answer you wanted to hear.

The firm with the most experience in my industry is the best firm to choose. This is comforting but not necessarily a good beacon. The best firm is the experienced and accredited consultant that you can trust and work with. Your primary purpose in engaging the firm is to guide and enlighten your turnaround. Even if your turnaround consultant isn't familiar with your industry, you should be able to explain enough about your business to give your consultant a good understanding of the issues you're facing. At Beane Associates, we're proud of the work we did a few years ago to turn around a specialty pen manufacturer. When we got started, we knew a lot about using pens, but very little about making them. Yet our effort was successful. That's proof that it's not how much you know about the industry but how well you can develop a sustainable working plan.

All I need is the good counsel from associates who have turned their businesses around. Most business people have dealt with difficult situations and have well developed areas of competence. There is a big difference, however, between accomplished management in a positive business environment and the expert whose profession is dedicated to turnaround. The best turnaround specialists belong to professional regulatory and educational groups such as the Turnaround Management Association (TMA). They practice professionally not as a hobby or part-time consultancy. Use your associates as sounding boards and support but choose a reputable professional to engage in your efforts.