

Coming From Behind To Win The Race



Donna Johnson

This month's Business Success in a Global Market series features a giant in the turnaround management industry, Howard Brod Brownstein, CTP, Principal of Nachman-HaysBrownstein, Inc.

1. What are the critical elements in a corporate culture that are key signs to success or failure?

In successful businesses, the corporate culture is typified by clarity of the company's mission, its strategy, and its actions plans for realizing its goals. Failure is often characterized by lack of clarity: people don't know what the company is supposed to do and what is their place in it. Some bricklayers think they're just laying bricks, while others know that they're building a cathedral.

As a turnaround manager, I am sensitive to corporate cultures that will assist rather than impede the flow of information and the transmittal of time-sensitive instructions to managers and employees. I look for a corporate culture in which there are open lines of communication up and down the chain of command, with a lack of politics and emotionalism. Good news should travel fast, but bad news should travel faster.

At the same time, a corporate culture of "yes-men" will lead to failure. Good leadership should not mean lack of openness to a better idea or suggestion. When there's time to discuss, then discussion should be candid. A corporate culture where "If there was a good idea, the boss would've had it," will lead to failure. But when it's time to decide, the decision should be followed faithfully. In a crisis, one out of ten possible decisions is blindingly brilliant, one of ten is obviously stupid, and the other eight can work with varying degrees of probability based upon implementation.

A corporate culture of teamwork is key to successful companies. Harry Truman said, "It is amazing what you can accomplish if you do not care who gets the credit."

2. In an article you stated "Business problems fall into the same patterns, regardless of the industry, the company, or the executives in place." What are those patterns?

People frequently ask me, "Where are your

clients located?" to which I reply, "They're all in 'Denial'". The most common cause of business problems is the failure of companies to respond to problems in a timely manner, usually because management is in denial that there even is a problem, or that it is serious. I am reminded of the man falling out of a building who, as he passes the ninth floor, says, "So far, so good." All businesses face problems; we live in a Darwinian performance-based economy that is designed to render extinct the weaker competitors. Like the lessons in the bestseller *Who Moved My Cheese*, the key is to be alert for change when, not if, it occurs.

Even if a problem is recognized, another pattern of behavior that often results in worsening difficulty is a "We can fix it ourselves" attitude. While ship captains on the high seas have the power to marry or execute passengers, when they approach the unfamiliar waters and shifting tides of a port, it is the harbor pilot who takes over the ship and docks it safely. Managers must seek help from specialists when they are in unfamiliar situations, such as a turnaround or crisis.

When businesses wallow in denial or are too proud to ask for outside help, their business model gets out of step with reality. The landscape is littered with companies who lost their economic justification to exist. Remember Eastern Airlines and Montgomery Ward?

3. What steps would you recommend an organization take when it realizes it is in trouble?

A. Face reality. Assume things are probably worse than they appear, i.e., that all the bad news isn't in yet, and that bad news can beget further bad news. For example, if you have a large bad debt, your vendors and lenders may hear about it and cut your credit.

B. As in *The Godfather*, "go to the mattresses". That is, prepare for war, even if war can be averted. Get lean and mean, cut all unnecessary expenditures, get liquid, and take no unnecessary risks. Lower your operating breakeven point

C. Have more than one response ready. Make contingency plans, including, the "B" word (bankruptcy). Small and middle market companies statistically do not enjoy good odds in bankruptcy, but their chances go up enormously when the bankruptcy is planned. So hire debtor counsel just in case.

D. Communicate. Tell your key employees

the truth, and what you expect from them. Tell your family, too. This is a bad time to have pressure at home, financial or otherwise. And if you're going to need support from your lenders and vendors, be proactive and go to them before you miss a payment or they hear about it on the street. Tell them what you need and for how long. Show them your plan and assure them you'll keep them advised of your progress.

E. GET HELP! You are not a professional at dealing with this situation. The pioneers didn't use a road map when they headed west. They hired a wagon train leader to pick the safest points to cross the river and to deal with the Indians. He was a temp, and well worth the price. So hire a reputable turnaround or crisis manager, early. Let him be the lightning rod for unhappy customers, vendors and lenders.

F. Recognize that a turnaround is a process, not an event. It will take awhile. Things may never go exactly back to how they were. Don't expect a quick fix.

G. Learn the lesson. You paid the tuition, so get the knowledge. What caused the problem? How will you prevent a recurrence?

4. What role has persistence and an attitude of "don't quit" played in your success?

It is not unusual to hear about a distressed company on a Monday, arrive at the company on Wednesday, only to learn that it will likely miss its payroll on Friday, and the payroll it will miss was accrued the previous Friday. So I'm beginning the race from 50 yards behind the starting line. Such circumstances require an attitude of dogged persistence and single-minded dedication to the goal: optimize the situation. A complete turnaround would be nice. Avoiding disaster will suffice for the time being. Even if we emerge looking like a poodle that's been to the barber, we'll be alive to fight another day. I love a challenge, and some of my referral sources tell me that they save their ugliest, most difficult cases for me. Thanks, guys: I'll try to be the St. Jude of Turnaround Management!

Howard has created a roadmap for business executives who get caught between a rock and a hard place. He shows us how to come from behind and win.

Donna Johnson is a business consultant, coach, trainer, speaker and writer. She can be reached at her office in Fishkill, New York at 845-8962159 or visit her website at www.djcsjirm.com. Special thanks to JJ Murphy, Virtual Assistant, www.lookgoodonpaper.com, for copyediting.