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PUSH THE RED BUTTON

Turnaround Fundamentals for Any Situation

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A PARTNER OF MINE USED TO SAY, "IT IS TIME TO LIFT THE GLASS AND PUSH THE RED BUTTON."

It was our alarm button and time to make changes in our company to meet our business targets before our situation got any worse. Whether you are pushing your "red button" or just trying to improve your company's service, profits or management, keep reading for a few of the fundamentals for turning around bad situations.

All companies, large or small, public or private, go through periods of transition. This past year has been one of many challenges including 9/11, stock market shifts and talk of a recession. Regardless of whether it is good times or bad companies, divisions, departments, etc. need to continually evaluate and improve themselves. In other words, it is always the time for action. VTA Partners is hired to step in when things get really bad and when there is nowhere else to turn. Everyone can learn something from turnarounds to help in whatever function or business you are in. Here are some of the fundamentals for turning companies, divisions and departments around.

TURNAROUNDS HAPPEN BEST UNDER SOMEBODY NEW...

To succeed, a change agent is required to effect meaningful and long lasting change. Preferably, the change agent is somebody outside the department or company. These situations demand an outsider's detachment, which saves everybody time and grief. There are several reasons for this phenomenon. Internal change agents have difficulty seeing the company's problems due to internal management struggles, relationships, politics, lack of focus and lack of power to effect change.

Unfortunately, these limitations make internal change agents less effective than they need to be.

TURNAROUNDS DO NOT HAPPEN BY COMMITTEE...

World renowned Turnaround expert, Gary Sutton, in his book Six Month Fix-Adventures in Rescuing Failing Companies stated, "I've traveled much of the world and walked many parks. Most have statues. I haven't yet spotted a statue of a committee or partnership. Great change is an individual act." Turnarounds do not succeed in a committee. A team is needed to execute the Turnaround plan, but decisions need to be made by one person after reviewing all the facts. That person needs the full support of the owners, board of directors or investors.

SITUATIONS RARELY IMPROVE BY THEMSELVES- BAD TRENDS ACCELERATE. SWIFT ACTION IS REQUIRED...

Turnarounds require focus and should be completed in six months or less. Problems tend to get worse and accelerate if the turnaround takes longer. Focus on facts and figures, not on opinions and theory. Demand analysis and research to support decisions. If you are a profit center one of your first steps should be a profit analysis by product, customer, region, etc. Perform whatever segmentation is deemed necessary. Use Activity Based Costing and other specialized methods to get to the margin. Focus on and follow the margin. This will clear away the clutter and keep you moving in the right direction. Make the necessary changes and go deep enough to reverse bad trends. Look to stabilize operations and maximize cash flows and profits. Be prepared to make tough decisions. Know that cutting your tail an inch at a time can

cause more pain in total, and distract you from moving forward toward success than making the necessary changes upfront.

COMMUNICATION IS KEY...

Understand your role as communicator. Turnarounds require that everything be put on the table and reviewed. All options must be reviewed, analyzed and available. This should be communicated clearly to employees. Inevitably, rumors will spread about decisions made. Generally speaking, the turnaround manager should communicate that all options are being considered and that final decisions will be communicated once they are made. Just because an option was discussed and is now being evaluated, does not mean it has been decided as a course of action. Remember, good turnaround managers save companies, careers and jobs.

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