

# “How to turn a Company around”

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A once growing and profitable Company can fall on hard times due to factors in the economy - such as lower customer demand, the entrance of new competitors, management mistakes, or all of the above. This article outlines how to stabilize and grow a company that has fallen on hard times.

## **Know the cash position**

Cash is king. Determine the Company's cash position and how much cash is needed each week to run operations. Develop a process to create and share with management a daily cash position report and cash forecast report. Determine how long the Company can operate with its current cash position, cash generation, and cash needs.

## **Investigate the cash generators**

Perform a profit and loss statement and weekly cash reporting for each product and service the Company offers that earns cash. How much cash is coming in and how is cash used to generate that revenue. Make sure to allocate all fixed costs associated with each product and service analyzed.

Single out those products and services that earn cash and those that could earn cash with some re-engineering and/or better marketing and sales efforts. These identified products and services are the cash generators and potential cash generators that will enable a Company turnaround. Should there be some newer potentially high growth products and services that don't yet generate cash it may be best to put them on hold unless the Company's cash position will allow investment without cash returns.

## **Make a market assessment**

Determine the strategic position and growth potential of each product and service in the competitive market. For example, is your company the low cost producer of some of these products and services, how much margin does each product and service earn, what is the market share, is market share increasing or eroding, what is the potential of each product and service to generate cash in the future, and what is the customer and sales force feedback. Review marketing/advertising and sales efforts/results and identify areas of growth and opportunities to raise prices. Analyzing this detailed information will provide a perspective on the potential cash generating ability of each product and service.

## **Develop a strategy/plan**

The cash and market assessment work provides a good guideline for what will currently and likely generate cash. The next step is to develop a plan on how to use cash to generate cash. This will include a plan to streamline non-cash generating uses of cash such as cutting back on products and services, selling equipment, ending leases, scaling back headcount, office space, and sales and marketing expenses, re-negotiating payment arrangements with suppliers and customers, etc. The current cash position and generation will determine how fast the Company can grow.

The plan should clearly outline how cash will be managed over the next 6 to 12 months:

- where cash will be spent
- what will be reduced or eliminated to conserve cash
- how will payment terms and payment arrangements with suppliers and customers improve the cash position
- what will be re-engineered
- what improvements will be made in marketing and sales practices
- how quickly can the Company grow
- when and how will the Company source outside financing, if needed

## **Execute the strategy/plan**

Keep all key Managers (uses and sources of cash) abreast of the Company's daily cash position. Surprises are not good. Have a daily cash plan meeting to record any changes in the cash position and review cash forecasts. This way each Manager that can affect the Company's cash position is onboard and knows where the cash is sourced and used. These meetings will be stressful. To keep the team positive and motivated, try to celebrate every achievement such as a negotiated reduction in cash requirements and excess cash generated over the planned forecast.

## **Know when to ask for help**

The real trick in turning around a company is getting a handle on cash flows, understanding the inner workings of the company, its products and services, and the competitiveness of each product and service in the market. The financial analytics are fairly straightforward. Knowing each product and service market position, potential, and what is needed to achieve that potential is critical. A marketing expert will be able to assist in profiling the current market position and potential of each product and service. In addition, that expert will be able to create and implement a plan to ensure each product and service generates as much cash as possible.

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