

Looking Up in a Down Economy

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Negativity breeds negativity. For a troubled company, negativity hinders the likelihood for a successful turnaround. The negativity hurdle has been elevated recently by a tough economy. Because a magic bailout is not an option for most struggling businesses in these troubled times, a turnaround practitioner must transform this negativity and lack of hope into new opportunities for growth to increase the odds for a troubled company's survival and future success.

The first key in a turnaround is improving the numbers related to cash flow, debt, inventories, and crucial ratios, among others. But it is the people behind the numbers that can move them in the right direction. Venture capitalists have long said, "Don't give me an 'A' idea with a 'B' team; instead, give me a 'B' idea with an 'A' team."

Companies in need of a turnaround are most often led by some "B" leaders and/or managers. But the down economy has created new opportunities to acquire top talent at bargain salaries — people who are willing to produce results with a sense of urgency.

The recession has clearly created a buyer's market for putting an "A" team in place. Overwhelming numbers of resumes commonly pour in for personnel searches for most job categories. Sales are always important to any business, and the recession has created an increased supply of sales personnel willing to work on straight commission to prove their worth. Such opportunities are seldom available to this degree in an up economy. In fact, when the economy rebounds, upgrading to an "A" team will be tough and expensive.

Another opportunity to spur growth and improve profitability and cash flow is to optimize the often underutilized information technology (IT) and software that troubled companies have in place. IT is often regarded as a department instead of a business system that

encompasses an entire enterprise. It has long been reported that companies use a mere fraction of their current IT/information systems (IS) capability and investment. A recession provides supply-side IT resources to afford a troubled corporation an opportunity to optimize this critical element in any business turnaround.

It is also important to consider the pros and cons of contracting out IT versus the overhead position(s) on a company's payroll. Long-term IT support contracts are now bringing top talent with the latest experience to the table at a cost savings.

The current economy offers significant growth potential for cash-rich corporations. The sooner a troubled company can regain a solid and growing cash position, the sooner it can take advantage of these opportunities.

Overlooked Resources

Overlooked sources of optimism are prospects that never turned into business in the past. A good example is government contracts. Government buyers always need suppliers, but some of their vendors may have gone out of business during the recession, opening new possibilities for surviving companies.

Although previous attempts by a corporation to get government contracts might have failed, now may be the time to consider trying again. Procurement Technical Assistance Centers (PTACs) offer assistance at little or no cost, and are an important first step in opening the door for new sales opportunities. A great resource for PTACs is www.aptac-us.org/new.

Research and development (R&D) activities are key to growth but are difficult to fund in troubled times. There are opportunities for funding R&D through Small Business Inno-

vation Research (SBIR) and Small Business Technology Transfer Research Grants. Information is available at www.sbir.gov/. By teaming up with inventors and research scientists, businesses can reduce internal R&D costs and obtain government funding to support the growth of new products.

Other government programs related specifically to the current economy require some research and a lot of questioning to determine whether they fit with the needs of a troubled business. Additional information can be found at www.business.gov/finance/financing/. If a company is unable to obtain government business directly, management should check newspapers and the Internet to identify businesses that have been awarded grants and approach them about becoming a Tier 1 supplier for their newfound work.

Other often overlooked resources for a turnaround are colleges and universities. These institutions are experiencing increased student enrollments, but intern and co-op placements for students have dropped dramatically. Again, a troubled company could benefit from this excess supply of top-notch students looking to build their experience to prepare themselves for future job prospects. Troubled companies could also investigate cost sharing arrangements with vendors or customers to hire co-op students for activities focused on specific supply chain issues. This approach can often prevent the company in a turnaround from losing a key customer or vendor.

New products and new markets can also be found through economic development agencies, incubators, and centers for excellence in a corporation's community. These are untapped resources for companies that are short on funds or staff, and they can add another path for growth. Identifying these resources requires efficiency and urgency in working one's network to get to the right people. It is

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always helpful to tell people that the reason for making the contact is to save jobs and/or a company. Presenting the issue in such terms may lead to grants rather than loans.

Troubled companies are not alone in troubled economic times. Many non-competing companies face similar challenges. Yet, seldom do such companies approach each other to discover possibilities for collaboration, cross-selling, strategic alliances, joint ventures, or other potential opportunities. Troubled companies in particular should always ask, "What other businesses could bring value to our customers or prospects if they teamed together with us to offer a joint solution?"

Consolidations are inevitable in a downturn, so opportunities to acquire companies or to be acquired increase. Selling at a market low can be disheartening for the seller but provide a real bargain for the acquirer. The current economy offers significant growth potential for cash-rich corporations. The sooner a troubled company can regain a solid and growing cash position, the sooner it can take advantage of these opportunities.

There are many business deals in the making, but many others fall through the cracks. This is the perfect time to pick up key employees and uneasy customers. To find these hidden opportunities, it pays to use the many low-cost or free online job posting social networking services to discover the unexpected availability of talent that may be bringing a customer following with them.

In this economy, vendors to a troubled company more than likely have experienced reductions in their overall sales. This creates a window of opportunity for a troubled company to consolidate its supplier base and partner with a few key suppliers by giving them more business in exchange for better pricing and/or terms.

Domestic sources and customers have gained strength as many countries have retreated to a protectionist positions. So, customers previously lost to foreign sources may be returning to domestic suppliers. Old lists reflecting lost customers can be a gold mine if they are contacted to see if their situations have changed.

Getting the Word Out

Chief restructuring officers (CROs) and troubled companies often do their best to avoid media attention. This can be a mistake. The current economy has hit the media hard and news outlets are looking for economic news, especially good news. In tough times good news gets attention and can lead to new sales prospects for a company. Every new hire, promotion, strategic alliance, or acquisition should be followed by a press release to a company's local newspapers, business publications, and possibly *The Wall Street Journal* or other national papers if the company's scope is broad enough.

Trade journals specific to an industry or market should also be targeted for public relations efforts on a different level. Submitting articles on innovative approaches to business or solutions to problems the market or an industry faces can go a long way toward establishing credibility. Reprints can be used in marketing materials at trade shows or for new prospects.

Finally the value of holding to the highest standards of integrity and commitment to

community should not be underestimated by a troubled company. During these uncertain times, someone always has it worse, and many are in need. Troubled companies should always make time for a food drive or other volunteer efforts for worthy causes. These activities can help to lift the morale of employees working reduced hours and/or at reduced pay while at the same time projecting a positive image of a company.

Up and down economic cycles provide new challenges, as well as new opportunities for growth. A troubled company that has a "woe is me" or "the sky is falling" attitude is doomed. "One person's garbage is another person's gold" holds true if a troubled company is open to new possibilities available to spur growth, regardless of the negative buzz. [ER](#)

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