

## *The Turnaround Map*

May 2012

*By: Brian Schkeryantz, Managing Director  
brians@gryphonequity.com*

I'm here to say, "It doesn't have to be this way!" You are one of the thousands of business owners in America, right now, thinking and feeling the same thing - stress, hopelessness, and frustration. You realize your once successful business is now in trouble or not living up to your expectations. You also realize that the old map you've been using is not getting you where you need, or want, to be. You need to turn things around, but you are not sure what to do. A turnaround map can remove some of the mystery about turnarounds and provide a guide for small business owners to fix their companies by themselves. Like GPS, a turnaround map uses waypoints to help the user navigate from here to there. The seven major waypoints on a turnaround map are listed below. If you can follow a map, you can turn your business around.

### **STABILIZE**

The first action in any crisis is to stabilize the environment so you can make good decisions. The key to stabilizing a small business is to maintain a positive cash balance at all times. Never spend more in a week than you had at the end of the previous week. This simple cash control budget works like a tourniquet; it keeps you alive while you determine what went wrong and what to do about it. Control the cash by personally signing every check that leaves the building. Also, sign every purchase order so you don't buy anything you don't absolutely need. Prepare a cash flow budget for 13 weeks. It usually takes this long to diagnose the problems and reorganize your business. You must create enough cash to move through this phase. Persons inside and outside your business will look to you for leadership. Step up and lead by example, manage by walking around and talking with people, know your numbers and business processes, and be solution oriented.

### **DIAGNOSE**

There could be a number of reasons why your business is in trouble, but generally one of the following is the culprit:

1. sales are down, either taken by new competitors or lost to a decline in market demand caused by an economic downturn,
2. gross margins declined while fixed costs remained the same, or
3. the business has become top-heavy from an acquisition, or from adding new plant and equipment.

You can quickly isolate the causes through financial analysis. Look at your company's performance ratios for the past three to five years. Next, compare your ratios to those of other companies similar to yours.

You can purchase this information from the Risk Management Association. Study the numbers and variances. You'll see where others are doing well and you are not. Close the gaps. Once you've analyzed your company, review your industry and what's going on with your competitors. The results of this company and industry analysis will help you determine what caused your cash crisis and what you must do to fix it. Remember, the lack of cash is an effect, not a cause. As you move on the next waypoint, you begin eliminating the causes.

### **REORGANIZE**

Every sustainable business has a core division, product or service that produces positive cash flow. Rank your units in descending order by the amount of positive cash flow each produces. Draw a line where the cash flow turns negative. The products or services above the line become your new turnaround company. Everything below the line is discarded. That means facilities, inventory, and people. The rule is: if it produces positive cash flow it stays; if not, it goes.

### **PLAN**

Write a simple turnaround plan to get through the next year and convince your creditors to stick with you. State your objectives in measurable terms. Describe your core business, sales plan, staff reductions and cost saving actions. Include a cash budget and a set of monthly financial projections. Prove that you can stay in business while you turn things around. Be brutally honest in your assessment of how you got into this situation and how you intend to get out of it. This will help restore your credibility. You will need this to obtain concessions from your creditors.

### **NEGOTIATE**

Sort your creditors into two groups: Group A creditors (those you need to do business with in the future, like banks and critical suppliers), and Group B creditors (those you can replace and don't need to survive). Meet with Group A creditors and sell them on your turnaround plan. Be factual and positive. Show them how they will be repaid from your successful turnaround. Most will go along with you. Don't waste time with Group B creditors. Hire a debt negotiator to obtain a settlement for you and move on.

### **EXECUTE**

Once most business owners get past the crisis and calm their creditors down, they fail to execute and the wheels come off the wagon. Don't let this happen to you. Set up a weekly agenda and stick with it religiously. Do all the tasks called for in your turnaround plan and remain accountable. Success is won or lost through execution.

### **GROW (or Sell)**

If you like what you do and can you see yourself happily doing it for another three to five years, you should keep your company and grow it. You now have a profitable company and staying on course should be easier this time around. You certainly know what to avoid. If you are tired, you probably should sell this company and do something else. The good news is your company is now worth something, whereas before you turned it around, it was worth little or nothing. Manage it well while you have it on the market.

### **Conclusion**

As you can tell from this overview, turning your business around does not involve guess work, rather, it is a simple, well-defined process. Any business owner who chooses can learn how to fix his business, keep his job, and protect his home. Use a turnaround map to guide you. Implemented correctly, you can

turnaround your business around, guiding it from negative cash flow to positive cash flow. I urge you now to step away from the stress, the hopelessness, and the frustration. Tell yourself, "it doesn't have to be this way!" Take your wife to dinner, your kids to the park, and call in someone who knows what needs to be done and is equipped to maneuver your company to success. **Gryphon Growth Group** understands the turnaround process and is able to step in and help you manage through the process.

Many organizations face financial challenges from time to time, or need financial leadership during periods of transition: early stage, rapid growth, acquisitions, company sale, restructuring or refinancing. With guidance and hands-on management from **Gryphon Growth Group** you can get control of your situation. We can step in at any time, identify and solve financial problems, and help you guide you & your company to higher levels of success.

**Our approach is simple** - we apply our experience with good, old-fashioned *hustle* to help our clients achieve their goals.

**To learn more, we invite you to contact us today:**

Brian Schkeryantz, Managing Director  
949.293.3963 Mobile  
brians@gryphonequity.com