

All Leaders and Directors Are Not Created Equal: To Save a Company – Change the Leadership Style

Written by: John M. Collard, Chairman, Strategic Management Partners, Inc.

**CRISIS AND TRANSITION DEMAND CHANGE - THE FIRST
TRUE STEP TOWARD RECOVERY.**

Director Summary

What makes a good leader in a healthy company? What about a company in crisis? The two styles are different in focus, decision making, authority, and people. Understanding and managing these differences can help directors recruit the right talent to lead a company through good times and bad.

Clear Thinking

In a time of crisis and transition, who can handle the crisis management role within the company? This is a predicament. At such a turning point, clear thinking must prevail and a special set of skills must be applied.

If there is a qual

0



What guides the decision of choosing a leader at this juncture? Different companies have different needs. The CEO that managed the company into trouble clearly is lacking the skills to doctor it back to health. Why risk allowing the same person to try again? Conversely, the CEO that can bring a troubled company from the brink of failure may not have the skills to become the “Marquis” to manage long-term, day-to-day operations.

This suggests a two-part strategy, an interim executive to manage the transition period, followed by a well-qualified permanent leader to step in when the time comes.

A troubled company is like a patient in critical condition, decisive steps must be taken to make something happen. The first goal in an absolute crisis is to stabilize and buy time. After steadying the vital signs, take a reading on where things stand - which is normally still. Look for changes in ratios and trends to determine what is - or more important - what is not going on in the business.

Let's put the leadership roles into perspective. Requirements differ between those for healthy, growing companies and those for firms in troubled or transition situations.

- » Healthy company. In the stable or growth scenario, there is time for structured growth and building the organization. In a healthy company, management focuses on long-term objectives, coaching, and team building. A manager in a stable environment should be known among shareholders and employees for consistency in decision-making. With the
Im

The Process

Along with specific skills and an understanding of troubled situations, the specialist offers a new perspective from which to independently evaluate the company's circumstances. The process will focus on several issues:

- » Is the business viable?
- » What is the purpose of the business?
- » Should it be saved? Why? Are those reasons valid?
- » Is there a core business that can be the source for the emerging business?
- » Are there sufficient cash resources to fuel the recovery?
- » Which existing managers are capable of leading parts of the company?

Remember, not all companies are salvageable.

The fact-finding must proceed as quickly as possible so that a realistic assessment of the current state of the company can be prepared. The specialist's first priority will be to manage cash flow - to stop the hemorrhage. Analysis of sales and profit centers, and asset utilization should indicate where the real problems - not the symptoms - are located. Next, a business plan outlining and suggesting possible courses of action - or cures - will be prepared.

Following this diagnostic stage, the transition can begin towards a turnaround. Once the course of action is chosen, implementation and monitoring can occur. The specialist should remain involved at least until the business is stabilized, and preferably until the transformation is complete and a new leader is found.

Keep Business Moving

The turnaround specialist needs to get things moving again. Movement must occur in two areas.

- » Volume in (revenue/sales). Look at where and how revenue is generated. Is it from existing customers and contracts or new business? Most important, keep it coming in.
- » Volume out (throughput/production). Look at getting the product or service "out the door." How else can you bill for it?

Companies often get into trouble because management procrastinates when it comes to making decisions. If the decision is made by default, it is akin to making no decision at all. Survival for the troubled company depends on being immediate - on making decisions in a timely manner. Even a wrong decision allows movement and direction. If a decision turns out to be wrong, change it, but keep things moving.

Authority and Talent

Time is also a consequential dimension when it comes to authority. In a stable company, there is time to delegate and nurture the growth of the management team and time to work on lo - a ° lr mf . Evfr



About the Author

John M. Collard is Chairman of Strategic Management Partners, Inc. in Annapolis, Maryland. John is a Certified Turnaround Professional (CTP), and a Certified International Turnaround Manager (CITM), who brings over 35 years senior operating leadership, \$85M+ asset and investment recovery, 45+ transactions worth \$1.2B, new business developed \$950M+ and win ratio 3.5 of 5.0, and \$80M fund management expertise to run troubled companies, serve on and advise boards of directors, and raise capital.

John has served as CEO, CRO, Receiver, senior executive to turn around troubled entities, and serves as an outside director. John is enshrined in Turnaround Management, Restructuring, and Distressed Investing Industry Hall Of Fame. John is Past Chairman of the Turnaround Management Association (TMA), Past Chairman of the Association of Interim Executives (AIE), and a Senior Fellow of the Turnaround Management Society. John is a co-Founder of TMA.

[Strategic Management Partners, Inc.](#) is a turnaround management firm specializing in executive CEO leadership, board and private equity advisory, asset and investment recovery, raising money, and investing in and rebuilding distressed underperforming troubled companies.

Any views and opinions expressed in this article may or may not reflect the