

Preface

This book discusses the one concept that can be universally applied to restructure any company, anywhere, at any time and in any industry. It can be used to grow sales, increase net income, improve cash flow, satisfy every customer, save the whales, preserve the rain forest, and make grown men weep. Of course any book that promises all that is silly on its face, but you wouldn't think so by reading the dust jackets of many books.

The truth is that every industry is different, just as every company is different. There is no one formula, concept or magic potion that will fix every problem everywhere. This book is designed to provide an overarching framework for analyzing a company; diagnosing its problems; and providing a new CEO or turnaround consultant with an array of proven tools.

Most failing companies can be saved if prompt aggressive action is taken. But, management often refuses to look the tiger in the eye, meaning they refuse to focus on the real problems. They delay or avoid the drastic change needed. This book helps them to see what needs to be done and the payoff for doing it. The techniques discussed in this book can also be used to transform underperforming companies into top competitors.

This book was written because existing restructuring books either focus on financial engineering or they are CEO memoirs recounting how they did what they did. Neither class of books provides a complete and integrated view of how to restructure a company.

Chapter 1 discusses how to make a sober assessment of a company's performance and prospects. It also provides tools for diagnosing root problems. Chapter 2 discusses how to reverse engineer desired performance goals.

Chapter 3 discusses people issues such as relations between a new CEO or turnaround consultant and the board of directors; building a turnaround team; improving the quality of a company's employees; unions; and layoff law. Chapter 4 discusses how to estimate an optimum staffing level and identify specific targets for headcount reduction. It also discusses labor cost controls that can be implemented without layoffs.

Chapter 5 discusses critical evaluation of divisions, subsidiaries and other businesses. Often a company can make substantial progress by shedding underperforming units. Stop the bleeding is one of the first commands of restructuring.

Chapter 6 is a critical evaluation of products, customers and contracts. Companies often have unprofitable products, customers and facilities, but don't realize it. Refocusing a company on its core products and best customers can transform an underperforming company into an outstanding one.

Chapter 7 discusses revenue growth and new products. A company must grow or die. No company can cost cut its way to success. So this chapter addresses means and methods for growing revenue. New products and services are key growth components for most businesses.

Chapter 8 discusses factors that influence pricing opportunities such as markets, product life cycle and how to apply insights from economics. Chapter 9 discusses customers and service. Unless a company can satisfy customer needs and wants, it has no purpose and no future.

Chapter 10 discusses re-engineering, process mapping, continuous process improvement and outsourcing.

Chapter 11 discusses three strategies for identifying cost savings as well as common targets of opportunity.

Chapter 12 discusses management of information technology. This is an area in which management has abdicated control in many companies and that makes it fertile ground for improvement.

Chapter 13 discusses how to fund a turnaround. When a company gets into trouble it should expect its bank to cut off credit. Fortunately there are many alternatives to banks if one knows where to look. Chapter 14 discusses raising cash internally through improved asset management. Chapter 15 discusses emergency cash management techniques to keep a troubled company alive.

Chapter 16 discusses the offensive and defensive use of bankruptcy to restructure a company. Bankruptcy can be used to reform contracts, leases and labor contracts.

Chapter 17 discusses execution. The techniques discussed in the previous sixteen chapters are useless unless a company can execute its plans. This chapter discusses ways to make sure plans are executed in a timely and efficient manner.

This book is based on research developed while teaching corporate restructuring at Rutgers University School of Business Camden for over a decade. It is also based on real world experience restructuring companies. The questions and comments of my students have made a valuable contribution to the content of this book. The good points are a credit to them, the faults are my own.

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