

Triumph Over Troubled Times

Shortly after September 11th 2001, [Jacquard Associates](#) invited 90 Chicago-area business professionals to participate in a series of seven roundtable discussions. Those who took part included bankers, lawyers, accountants, business owners and public sector officials. This report summarizes those serious and productive discussions.

ROUNDTABLE YIELDS INSIGHTS FOR RECOVERY

Plain talk...The roundtable participants focused on the current business climate and the effects of recent events.

Asking the key questions...How do we approach business planning now? What will business trends be in the short term? What strategies will help us?

Taking action...This special review distills the essence of these important meetings: the critical observations and actionable ideas.

September 11 will lead to recession, accelerating trends already evident:

- Business change was happening at a faster pace.
- Margins were falling.
- Products and services were becoming commoditized.
- The buyers were gaining control of information.

These trends will continue and accelerate in the future. And they have!

While this roundtable happened eight years ago, the information is even more relevant now.

Next, know what to expect. **Begin to plan for change.**

- Everyone wants to believe the best. Despite that, plan for recovery taking longer than advertised. If it gets better sooner, you will be ahead of others.
- The difference between successful and unsuccessful companies will become more pronounced. However, both good companies and bad companies will fail.
- Bad and good companies will seek Chapter 7 and Chapter 11 to liquidate or reorganize. This will lead to frozen accounts receivables. How will we face the difficult question of terms for new sales?
- Spending patterns will focus locally, and rely on ease and trust.
- Cash is king, even more so today than before.
- Inventories will not be depleted as quickly.
- Those who hunker down and put their heads in the ground will become the targets.
- Genuinely evaluate your strengths and weakness. What should be invested in and what should be pruned? **There are opportunities.**
- Competitors will fail.
- Customers will want fewer risks. Design your service around that.
- Talent will be easier to hire.
- Make it easy to buy small volumes and services.
- Involve yourself with others. Get help from people familiar with crisis.

"A crisis is too important a thing to waste" - Paul Romer Stanford Professor and author

Prioritize your areas for action. Act now!

Improving your business operations needs to happen **now!** The following areas are risks you must recognize and opportunities you must seize. More details are on the next page.

Accounts receivable management will be a paramount issues and require skills.

- Increase your focus on accounts receivable as your customer may have cash problems or go out of business before you have an opportunity to collect.

Inventories must be reduced

- Find the inventories that move and buy. Find the old and slow and sell off, even if to scrap

Supplier issues will range from opportunities to lower costs to making certain your vendor supply chain is weathering the economic uncertainty.

- Find cost reductions that help both parties e.g. re-spec.
- Ask for improved price and terms, or significant prompt payment discounts.

Sales will be challenging on several fronts from retaining current customers and revenues to gaining new revenues:

- Focus on key existing customers. Target key competitors and their key customers.
- Clearly define your value proposition for your customers.

Pricing will be crucial. Know when to increase and decrease prices.

- Raise prices on your smaller accounts. Find loser products or customers and increase prices and tighten terms.
- Don't reduce pricing without getting terms improvements.

Talent.

- Raise standards, levels of responsibilities, accountability and formal reviews.
- Key hires may now be advisable. Bring in change agents to assist in changes will help accelerating programs.

Key projects will require prioritizing.

- Prioritize. Drop ones that don't belong at this time. Raise review and completion expectations.

Capital purchases represent opportunities to buy effectively. Prioritize and push harder on the important ones and drop non-critical purchases.

- Sellers will also be troubled and anxious to make deals. Consider used equipment.

Pay attention to, nurture, and expand relationships with people.

- Professional relationships are to help plan for the different alternatives.
- Personal enjoy community involvement, volunteering and family interaction.

Mergers and acquisitions roll up members of your industry.

- If you have cash, it is a good time to consider acquiring.
- For those without cash, the offers will be lower, but will reflect the current market.

Avoid the old beliefs and bromides:

*Trade cash for profit. Sell off bad inventories; AR etc.
Get the cash take the loss.*

*Interest rates actually affect the bottom line less than
plenty of other potential actions. Instead, collect AR
and lower Inventories to reduce borrowing.*

*Be careful about incremental pricing.
It is addictive and leads to losses.*

*Actually all of your employees know and agree on
who should leave.*

*Confidentiality. Your employees already know.
They see late deliveries of raw materials, calls from
creditors etc. Give them a positive role.*

*Make layoffs broader and deeper to avoid doing it
a 2nd or 3rd time (Salami slicing)*

**"Man who stand
on hill with mouth
open will wait
long time for
roast duck to
drop in" -
Confucius**

Be ready for opportunity: better yet, create your own!

Focus Areas	Opportunities
Sales	<p>Get everyone selling</p> <p>Protect market share at key customers</p> <p>Evaluate key competitors</p> <p>Investigate a sales program in another region. Consider a Rep or Distributor</p> <p>Make it easy to do business with your company</p> <p>Change specs to lower costs.</p> <p>Find Service sale opportunities</p>
Capital Equipment	<p>Prioritize. Maximize rate of return</p> <p>Review and improve price and terms</p> <p>Seek what you need through others, surplus & auctions</p>
Inventory Reduce Non moving inventory	<p>Change customer orders to +/- 10% of order to reduce production and inventory costs</p> <p>Determine write-offs and sell them off. Generating cash is more important than profit</p> <p>Look for consignment opportunities as supplier and user</p> <p>Analyze inventory turns. Maintain stocks of high turning products and services</p>
A/R Reduce A/R	<p>Determine credit worthiness, terms, limits</p> <p>Determine write-offs and banking procedure</p> <p>Develop process to predict and deal w/ bankruptcies</p> <p>Improve collections skills Shorten billing cycles Develop short calling patterns</p> <p>Create COD and Credit Card options</p> <p>Evaluate factoring/credit insurance</p>
Pricing	<p>Identify A customers. and Be competitive. Trade price for terms</p> <p>Identify unprofitable customers, products or product lines Identify C & D customers raise prices.</p> <p>Develop a process for price setting and review</p> <p>Progress billing, retainers</p> <p>Document and charge for out of scope work</p> <p>Document and charge for change orders or special delivery services</p>
Employees	<p>Reduce excess work; eliminate processes, approvals, reviews, unnecessary tasks; Reorganize</p> <p>Review benefits</p> <p>Review/set standards i.e. attendance</p> <p>Consider short term incentive systems</p>
Vendors	<p>Explore Price and Terms opportunities</p> <p>Check Supply chain security</p> <p>Alternative processes and products</p>
Overheads	<p>Reduce all insurance to reflect headcount, company and asset value</p>
Acquisitions	<p>Great time for acquisition of competition. Buy assets (AR, Inventory and Equipment) as you use them</p>

Stay open to new ideas – seek them out. Be open to good business advice.

Jacquard Associates is a team of hands-on, roll-up-your-sleeves business professionals who help clients identify strengths, raise expectations and improve the way they do business. We help **motivate** people, **streamline** processes, **impose** financial discipline and **create** systems to yield better customer service, faster turnaround, improved sales and enhanced profits.

Our single goal is to provide clients with tools to improve business performance fast. Organizations typically are full of opportunity. Owners and executives have great ideas and increasingly urgent needs. We specialize in transforming those **Ideas to Action** through a set of simple, proven, proprietary tools for improvement. A client's customized program of Ideas to Action may include:

- **One-to-One** Coaching, to develop mission-critical personnel
- **Wonderments**[®], highly revealing and effective mini-projects demonstrate the impact of executing fundamental improvement opportunities
- **Profit Projects**[®], longer-term improvement initiatives tailored to the client's needs and implemented by Jacquard and the client's team

Jacquard Associates also helps companies and industry groups develop **performance improvement expertise** through seminars, workshops and focused roundtable discussions.

Work with us is easy. We connect the dots between entrepreneurs, managers, investors, and bankers. We also perform certain services that other turnaround firm may not provide, and we are able to seamlessly integrate with any existing professionals in situations that warrant it.

Last but not least, **we put our money where our mouth is:** our fee structure is tied directly to our performance.

To learn more, call us at 847.945.8700 or visit us at www.jacquard.com.

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