

TO TRIUMPH *Over Troubled Times*

In October and November 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, consultants, accountants, business owners and public sector officials. This report summarizes those serious and productive discussions. Everyone wants to believe the best. Despite that, plan for recovery no sooner than 2003. The situation will likely get worse during 2002. If it gets better before that, you will be ahead of others in the recovery process.

Plain talk...

The roundtable participants focused on the current business climate and the effects of recent events. They worked on tough questions posed by a challenging environment.

Asking the key questions...

*How do we approach business planning now? What will **business trends** be in the short term?*

About rebuilding...

*What strategies will help us first effectively restore our strength and then keep us on course to steadily **grow even stronger**?*

And taking action...

*This special review distills the essence of these important meetings: the critical observations, the **actionable ideas**, and relevant Jacquard Associates' resources.*

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

First, get centered.
Know where you are in a global context.

September 11th has accelerated, exaggerated, and enlarged trends that were already evident:

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



These trends will continue and accelerate in the future.

Today knowledge has power. It controls access to opportunity and advancement.

Peter F. Drucker,
business author,
consultant, theorist

Jacquard Associates wants to express our thanks to all those who participated and shared their perspective and expertise in the roundtable discussions.

Next, know what to expect.
Begin to plan for preparedness.

- Everyone wants to believe the best. Despite that, plan for recovery no sooner than 2003. It is likely the situation will *get worse* during 2002. If it gets better before that, you will be ahead of others in the recovery process.
- The difference between successful and unsuccessful companies will become more pronounced. However, both good companies and bad companies will *fail*.
- Those who hunker down and put their heads in the ground will become the targets of the proactive.
- There are tremendous social effects resulting from fear and the need for comfort. *Loyalty* and *generosity* are keys.
- Spending patterns will tend to be focused locally, and rely on comfort and trust.
- *Cash is king*, even more so today than it was before.
- Inventories will not be depleted as quickly.
- Customers will take *fewer risks*.
- Insurance costs will likely increase.
- Talent will be easier to hire.
- Decreases in travel spending will have ripple effects on many industries. For example, the loss of revenue in the printing industry alone will reach \$7 billion in one quarter. Layoffs are also affecting the auto and personal real estate industries.
- Bad and good companies will seek Chapter 7 and Chapter 11 to liquidate or *reorganize*. Some Chapter 11 reorganizations will be *defensive* to ensure sources of cash or supplies. This will lead to *frozen* accounts receivables.

You think out every possible development and decide on the way to deal with the situation created. When one of these developments occurs, you put your plan in operation, and everyone says, "What a genius..." whereas the credit is really due to the labor of preparation.

Marshal of France
Ferdinand Foch,
French Army

America is stronger than the current business picture appears!

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.

- **Accounts receivable management** will be one of the paramount issues and required skills.
 - Manage your receivables consistent with the other factors such as A/P and vendor opportunities.
 - Increase your focus on accounts receivable as your customer may go out of business before you have an opportunity to collect.
- **Sales** will be severely challenged on several fronts—from retaining current customers and revenues to gaining new revenues:
 - *Target* your focus on existing customers.
 - *Target* your focus on key competitors and key customers.
 - *Clearly define* your value proposition, or how you can offer a Plus-sum* situation for your customers.
 - *Target* your activities wisely, as opposed to wide, scatter-shot programs.
 - Pick your targets; stick with the plan.
 - Change specs to lower costs.
- **Pricing** will be crucial. The situation calls for knowing both when to increase and decrease *prices*.
- **Supplier** issues will range from opportunities to lower costs to making certain your vendor supply chain is weathering the economic uncertainty.

If you don't drive your business you will be driven out of business.

B. C. Forbes,
founder, Forbes
magazine

**Plus-sum game – situation or interaction in which the participants combine their strengths to expand the market or reduce costs in total.*

Prioritize your areas for action. Act now!

- **Key hires** may now be advisable. Bringing in change agents to assist in *transitions* or changes will help accelerate progress.
 - Add talent. Bring in new people with new (higher) standards.
 - Change current work rules.
- **Key projects** will require *prioritizing*. Drop the ones that don't belong at this moment. Raise the review and completion expectations.
- **Capital purchases** represent opportunities to buy effectively. Prioritize and push harder on the important ones and drop non-key purchases.
- **Real estate** also represents an opportunity similar to the vendor and capital areas mentioned above.
- **Accountability** on all of the above must go up.

*Solve it. Solve it quickly,
solve it right or wrong. If
you solve it wrong, it will
come back and slap you
in the face, and then you
can solve it right.*

Thomas J. Watson,
longtime chairman,
IBM Corporation

Keep your eyes open and your plan flexible.

The traditional business philosophy is the Zero-sum game in which the winner takes all, and the loser is left empty handed.

Zero-sum game

Situation or interaction in which one participant's gains result only from another's equivalent losses.

Plus-sum game

Situation or interaction in which the participants combine their strengths to expand the market or reduce costs in total.

Jacquard Associates recommends businesses seek the *Plus-sum game* in which the sum of what is gained by all players is greater than the combined sum of what the players entered the game with. This is the way to retain and gain customers.

Not only strike while the iron is hot, but make it hot by striking.

Oliver Cromwell,
English military and
government leader

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

- **Professional relationships** are key, particularly with bankers, lawyers, accountants and other advisors, as planning for the different alternatives become important.
 - Refinance from interest rates to covenants if possible.
 - Review estate and tax planning.
- **Personal** – enjoy more *community involvement* through roundtables, volunteering and family interaction.
- **Mergers and acquisitions** – roll up members of your industry.
 - For those with cash, it is a good time to consider acquiring.
 - For those without cash, the offers will be lower, but will reflect the current market.

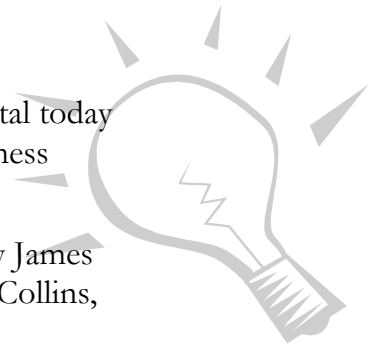
There are two types of people. Those who come into a room and say, "Well, here I am!" and those who come in and say, "Ah, there you are."

Frederick L. Collins,
author

Stay open to new ideas – and seek them out.

Staying up on current events and industry trends is even more vital today than it has ever been. In addition to trade publications and business journals, see the suggestions below for a broader viewpoint.

- *The 500-Year Delta: What Happens After What Comes Next*, by James Taylor, Watts Wacker, Howard Means. New York: HarperCollins, 1997.
- *The Discipline of Market Leaders: Choose Your Customers, Narrow Your Focus, Dominate Your Market*, by Michael Treacy, Fred Wiersema, Massachusetts: Addison Wesley, 1997.

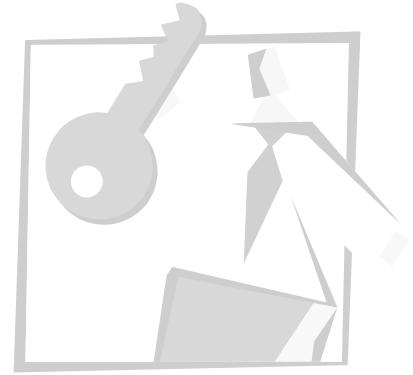


This is the time to Differentiate[®]

Considerations for the professional service providers:

- Owners will be more open to good business *advice*.
- All the issues that face clients, face service professionals as well.
- Review your A/R practices.
- Follow the advice meant for clients and prospects:
 - *Energize*
 - Do something – take action
 - Don't be predictable
 - Remain *flexible*
 - Target the sales effort
- Professional services to offer to clients today and to *make a difference*:

<ul style="list-style-type: none"> ● New sales incentive plans ● Owner versus manager realities ● Employee actions from layoff planning such as new manuals, work rules, incentives 	<ul style="list-style-type: none"> ● Cash flow forecasting ● A/R planning ● Rate of return analysis for capital ● Consignment plans 	<ul style="list-style-type: none"> ● Basic costing models ● Product line profitability ● Estate planning ● Tax planning
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It is no use saying, "We are doing our best." You have got to succeed in doing what is necessary.

Sir Winston Churchill
Prime Minister,
Great Britain

Be ready for opportunity.
Better yet, create your own opportunities.

Focus Areas	Opportunities	Jacquard Associates, Inc. Resources
<i>Identified by Participants</i>		
Sales	Get everyone selling – keep organized	Jacquard Inside Sales Development Profit Project™ Jacquard Quote Process Profit Project™ Jacquard Touch Plan Profit Project™
	Protect market share at existing clients	Jacquard Touch Plan Profit Project™
	Evaluate key competitors	Jacquard Competitive Analysis Profit Project™
	Investigate an off shore sales program	
	Minimize unprofitable customers	
	Make it easy to do business with your company	Jacquard Closing Business in One Call Profit Project™
Capital Equipment	Keep it flexible	
	Maximize rate of return	Jacquard Service Wonderment®
	Review price and terms	Jacquard Pricing Profit Project™
	Service opportunities	
	Seek what you need through others, surplus & auctions	
	Ensure confidence in product line	Jacquard Product /Service Launch Profit Project™
Review consignment opportunities		
Inventory	Change to +/- 10%	Jacquard Inventory Wonderment® Jacquard Inventory Profit Project™
	Determine write-offs	
	Look for consignment opportunities as vendor and user	
	Analyze inventory turns	Jacquard Geneen Wonderment® Jacquard Production Scheduling Profit Project™
A/R	Reduce A/R and forecast cash	Jacquard Cash Flow Management Profit Project™
	Determine who is credit worthy, what are the terms?	Jacquard Accounts Receivable Profit Project™
	Determine write-offs and a logical banking procedure	Jacquard Accounts Receivable Profit Project™
	Develop a process to predict and deal with bankruptcies	Jacquard Accounts Receivable Profit Project™
	Develop two different skills, granting credit and collections	Jacquard Accounts Receivable Profit Project™
	Shorten billing cycles	
Develop calling patterns		

Focus Areas	Opportunities	Jacquard Associates, Inc. Resources
<i>Identified by Participants</i>		
A/R <i>continued</i>	Create COD and Credit Card options	Jacquard Accounts Receivable Profit Project™
	Establish credit limits	Jacquard Accounts Receivable Profit Project™
	Figure out how to deal with big customers	Jacquard Accounts Receivable Profit Project™
	Progress billing, retainers	Jacquard Accounts Receivable Profit Project™
	Document out of scope work	
	Change order practices	
	Evaluate factoring/credit insurance	Jacquard Accounts Receivable Profit Project™
Pricing	Identify C & D customers	Jacquard Key Customer Wonderment® Jacquard Customer Prioritization Assessment Jacquard Pricing on the Periphery Profit Project™
	Identify A customers	Jacquard Key Customers Wonderment® Jacquard Customer Prioritization Assessment
	Identify unprofitable customers, products or product lines	Jacquard Geneen Wonderment®
	Develop a process for price setting and review	Jacquard Pricing Profit Project™
Employees	Reduce excess work; eliminate processes, approvals, reviews, unnecessary tasks	
	Review benefits	
	Review/set standards i.e. attendance	
	Incentive systems	Jacquard Incentive Profit Project™
	Reorganize Greater availability	
Vendors	Price opportunities	Jacquard Vendor Touch Plan Profit Project™
	Supply chain security	
	Alternative processes	
	Regular communications	
Acquisitions	Great time for acquisition of competition	Jacquard Mergers & Acquisitions Profit Project™

Jacquard's Profit Projects™

- Simple, proven and universally applicable
- Take from between six to sixteen weeks to complete, assuring swift and effective change
- Developed in detail from years of experience
- Discrete, focused and customized to a company's unique needs

What they do for you...

- Improve customer delight
- Build greater market share
- Increase profitability and cash flow
- Strengthen leadership

About Jacquard Associates, Inc.

Jacquard Associates is a team of hands-on, *roll-up-your-sleeves*, business professionals who come into your company, and implement very specific Profit Projects™ that help you identify strengths, raise the bar on standards and expectations and change the way to do business.

We drive business change that yields *profitable results*.

- We make strong companies stronger
- We implement practices at high growth companies to sustain that growth
- We improve the results of companies that are faltering or in transition

Jacquard believes there are four interwoven Success Threads™ critical to the achievement of a business. Each thread is constructed using our Profit Projects™ that are implemented one at a time or combined in a package for whole company change. The result, one integrated company fabric with each thread contributing to the overall weave ... a fabric woven so strong that it can withstand setbacks, yet so flexible it can respond to changing business conditions.

The Jacquard Weave with select Profit Projects™ are listed below:

<u>Customer Focus Thread</u>	<u>Financial Discipline Thread</u>
<p>Assessment <i>Customer Prioritization</i></p> <p>Profit Projects™ Pricing Processes Quote Process New Product/Service Launch Touch Plan Inside Sales Development</p>	<p>Assessment <i>Performance Overview</i></p> <p>Profit Projects™ Cash Flow Management Budgeting Process Product/Service Cost Structure Accounts Receivable Management Capital/Fundraising</p>
<u>Operational Speed Thread</u>	<u>Leadership Practice Thread</u>
<p>Assessment <i>Process Flow Audit</i></p> <p>Profit Projects™ Floor Layout Production Scheduling Linear Travel Vendor Touch Plan Demonstrated Quality</p>	<p>Assessment <i>Current State Audit</i></p> <p>Profit Projects™ Management Reporting Systems Business Plan Incentive Program Product/Project Management Mergers & Acquisitions</p>

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