Refocusing the Management Team in a Crisis

by Bob Cohen, Centrus Group

Over the years, turnaround and crisis management professionals each develop their own style of effectuating a turnaround. Certainly, there is the initial work of developing a cash flow forecast, assessing the liquidation value of a company and the overall development of a restructuring plan. But once the turnaround or restructuring plan has been developed and approved by company management, the company board of directors and the secured lenders, the style of turnaround leadership can vary significantly from one professional to another.

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President’s Report

by Scott Opincar

I am honored to serve as our chapter’s president for the next two years. I hope to continue the hard work and successful efforts of our past president, John Lane, and the other leaders of the Ohio chapter of the TMA. The leadership is focused on providing informative, high-quality educational programs to foster professional development and new networking events to increase our members’ referral sources. Our chapter currently has 215 members. In 2012, 181 members renewed and 34 new members joined. Membership drives an organization’s success, so I encourage all of our members to renew their membership and to promote the TMA to colleagues and other turnaround professionals who currently are not members.

Ohio TMA, in conjunction with TMA Global, will be promoting a new NextGen membership initiative focused on young professionals. Individuals under the age of 35 can join the TMA for half the normal membership price. TMA NextGen will provide a tremendous opportunity for young professionals to network with seasoned professionals and learn about the turnaround industry. For more information about TMA NextGen, please contact Manju Gupta, at mgupta@mcdonaldhopkins.com.

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The Centrus Group has been recognized as one of the premier turnaround practices in northern Ohio, providing services to middle market companies for the past 18 years. Centrus assists companies in developing and implementing a variety of creative and strategic actions that will result in a sustainable, profitable and growing company. Centrus provides expert management and strategic services in the areas of turnarounds, crisis intervention, wind-down management, financial/debt restructuring, executive recruiting and divestitures. Visit Centrus’ website at www.centrusgroup.com or contact the firm at 330-864-5800.
President’s Report (continued)
On February 28, 2013, Jack Kleinhenz, Principal and Chief Economist at Kleinhenz & Associates, will be presenting his economic assessment and outlook for 2013. The presentation is at the Wyndham Cleveland Hotel, at Playhouse Square. Registration begins at 11:30 a.m., followed by lunch and the presentation. Please try to attend. The March meeting will take place on March 21st, and will also be at the Wyndham, with registration beginning at 11:30. A panel of workout professionals and bankers, chaired by Sally Barton, will be discussing strategies and suggestions for dealing with financially distressed borrowers.

Finally, I would like to take this opportunity to thank all of our board members, officers, sponsors and Louise Walsh, our chapter administrator, for all of their efforts. Their support and hard work is greatly appreciated. I look forward to working with all of you. I welcome and encourage any member to contact me at sopincar@mcdonaldhopkins.com with suggestions, new ideas or concerns. I look forward to seeing you in person at our events.

Scott Opincar

Feature Article (continued)
There is no right or wrong style to provide the leadership to the management team as they navigate the turnaround process. However, in addition to determining if there is a core business, a good management team and adequate financial resources, the turnaround professional must establish a relationship based upon respect with the existing management team. Seldom can a turnaround professional successfully implement a turnaround without the support and respect of the troubled company’s management team.

Almost without exception, every employee of a distressed company is concerned about losing their job. If the company president privately owns the company, the owner is concerned about losing his/her company and potentially, his/her entire personal wealth. So the turnaround professional must somehow guide the company employees and the owner to think more about the process of rehabilitating the company and less about the potential loss of their jobs or ownership in the company.

My style over the years has been to use appropriate humor and insightful comments to assist management and employees in a better appreciation for how the company is positioned, what management’s role is in achieving a turnaround, and to focus upon the future rather than constantly revisiting what life will be like after the demise of the company. When applied in an appropriate fashion, humor is an effective tool in assisting management to take the rehabilitative steps to move beyond a fatalistic view of the future, and instead refocus with self-confidence and self-respect.

Example 1: Confusion
What is the best response to the management team that has identified that all of their competitors and suppliers within their industry are confused regarding the overall future of their industry? The appropriate response would be:

There is profit in confusion so long as you are not the one that is confused.

Example 2: Moving forward
What is the best response to the management team and the secured lender when there is concern that the company is not yet profitable, understanding that the company has lost money each year for the past five years and the initial strategy is to first become cash flow break even? The appropriate response would be:

When you are going 100 miles in reverse, your first forward motion is dead stop.

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Example 3: Assessing individual success
What is the best response to the business owner who is fixated upon the thought that he may lose his entire business? The appropriate response is:

*I no longer judge people based upon their success. I now judge people based upon their recovery from failure.*

- or -

*Every successful person I have met has failed at least twice.*

- or -

*I have learned more from my failures than my successes, and I plan on getting a lot smarter.*

Example 4: For the young executive who has all the answers
What is the best response to the young executive that believes that he/she alone, has all of the answers to correct the problem? The appropriate response is:

*The last time I knew everything is when I was 33, and I have only been getting ‘stupider’ since then.*

Example 5: The smartest person in the world
What is the best response to the person who knows everything? The appropriate response is:

*The smartest person in the world is the person who knows what he doesn’t know.*

Example 6: How did this happen to me?
What is the best response to the company owner when they express frustration with uncertainty as to how the company got to this level of demise? The appropriate response is:

*You must have done something right along the way to grow the business to this level.*

Example 7: It’s not my fault
What is the best response to the management of the company when they blame each other for the problems within the company? The appropriate response is:

“This reminds me of two friends of mine that decided to take a canoe ride down a raging river. My friend in the front of the boat was responsible for bailing any water that leaked in the front of the canoe. My friend in the back of the boat was responsible for bailing any water that leaked into the back of the canoe. The canoe hits a big rock, putting a large hole in the front of the boat. The water is coming into the canoe faster than my friend could bail the water out. So my friend in the back of the canoe said, ‘I sure am glad that the hole is not on my side of the canoe.’”

2013 Meeting Schedule*

**February** - Economic Assessment and Outlook for 2013 - Feb 28, 2013 - Wyndham Cleveland Hotel, at Playhouse Square. Registration begins at 11:30 a.m., followed by lunch and the presentation.

**March** - March meeting - March 21st - Wyndham Cleveland Hotel, at Playhouse Square. Registration beginning at 11:30.

*Event dates and locations are subject to change*