

Small Business Turnaround

A Roadmap for Owners

Presented by Van Lanier & [Turnarounds Made Easy](http://www.TurnaroundsMadeEasy.com)



Definition: Small Business Turnaround

A small business turnaround is a step-by-step process that (with the agreement of creditors) leads to a reorganized and profitable business that can pay its bills as they come due, whose assets exceed its liabilities, and whose owners can pay themselves what they are worth.

If you've been struggling to pay the bills, pay yourself and are worrying about your business's future, this report is the perfect starting point for you.

How This Report Is Organized

The first part of this report introduces the Turnaround Roadmap™ system and explains how it was developed. As we'll discuss further, the Turnaround Roadmap system is based on what actually works for small business turnarounds, not some abstract theory or the turnaround methods used by big companies.

Small business owners all over the United States have used the Turnaround Roadmap™ System to guide their companies back from the brink of failure and regain their profitability. By following the Turnaround Roadmap System, they've turned their businesses around quickly and without filing bankruptcy.

The second part of this report covers the 7 steps in the Turnaround Roadmap™ system and concludes with an overview of the results you can realistically expect to achieve using this system.

Thanks for requesting this report. If you find it useful as a starting point for your own small business turnaround, consider my [Turnarounds Made Easy Program](#) for step-by-step guidance that can take you from financial distress to a prosperous business and enjoyable life.



Lanier Turnaround Group, LLC
[Turnarounds Made Easy](#)



Certified
Management
Consultant



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About the Author



I'm Van Lanier and I help business owners fix their companies when they become unprofitable. Over the past 30 years, I have spent plenty of 12-hour days helping owners turn their companies around so they could pay the bills, avoid bankruptcy, and take home a good living.

I hold an M.B.A in finance and management and am a long-time member of the Turnaround Management Association, the Institute of Management Consultants, and the Superior Business Firm Roundtable.

It's important to me to stay knowledgeable and up-to-date on everything that affects your business's finances.

As a former National Director of Turnaround Consulting for KPMG BayMark, a certified management consultant and a life-long practitioner of turning things around, I'm ready to give you and your business a hand.

I've also earned my stripes as an entrepreneur as the owner of seven companies over the years, four of which I started from scratch. I enjoyed success with most, but took it in the slats from one, so I definitely understand where you're coming from.

Find out how we can work together at [Turnarounds Made Easy](#).

Section One: *Background and Overview*

The day you first opened for business was an exciting one, wasn't it? I'll bet you got there early and stayed late. Since then, you've sacrificed a lot for your business –worked long hours, invested your money and borrowed some, and missed a few important events. If you're like most business owners, the sacrifices were worth it. But, now you're wondering.

Despite your hard work and many sacrifices, lately the business has become a handful. It's not producing the cash you need and the days are more hectic than fun. It's come to the point where you realize you need to make some changes and turn things around - and quickly at that. But, just how do you do it? What are the steps?

Successfully turning around a small business depends on consistently producing positive cash flow, while systematically restructuring the company around a profitable "core."

Unfortunately, too many business owners (and their well-intentioned advisors) believe the solution to most business problems is borrowing more money and chasing more sales. While this may seem intuitively obvious, it doesn't work. It's like trying to blow wind into the sails of ship that's taking on water faster than you can bail.

Focusing on sales without addressing the causes of the problem invariably drains the remaining cash to zero, then adds your company to the 500,000 others that are liquidated each year. It's the wrong approach.

I've developed a simple method for small business owners to lead their companies away from trouble and back to success. It works and is deceptively simple. It's based on years of practical application in small business turnarounds and the feedback I've received from clients.

Using the Turnaround Roadmap™ system does not require a degree in finance or a lot of money.

The Turnaround Roadmap system works for owners who want to fix their companies. Quite frankly, if you believe all you need is more money and your business problems will be solved, the Turnaround Roadmap is not for you.

However, if you care enough about your business to fix it, once and for all, read on.

The Turnaround Roadmap™ System

The Turnaround Roadmap™ system is pretty straightforward. Once developed, the Turnaround Roadmap guides you through:

- ⊖ Stabilizing the business and creating cash
- ⊖ Diagnosing what is causing the problems
- ⊖ Reorganizing your business and finances around a profitable "core"
- ⊖ Preparing a realistic turnaround plan your creditors will believe
- ⊖ Negotiating the restructuring of your debts and obligations
- ⊖ Executing the turnaround with precision and consistency
- ⊖ Growing (or selling) the business when the turnaround is complete

Although these turnaround goals are simple, achieving them on schedule is anything but simplistic. This is particularly true for business owners who are under financial stress and spend most of their time reacting to one crisis after another.

The Turnaround Roadmap™ system has been used successfully by businesses in such fields as:

- Fabricated metal products
- Wholesale seafood
- Leather goods
- Custom cabinets
- Electronic components
- Industrial equipment distribution
- Automotive aftermarket products
- Medical devices
- Aircraft systems
- Food products
- Office furniture
- Prefabricated buildings
- Knitting mills
- Lumber and wood products
- Commercial printing
- Farm implements
- Metal doors
- Industrial machinery
- Specialty transformers and distribution equipment
- Industrial instrumental and controls

Background of the Turnaround Roadmap™ System

From conducting turnarounds all over the United States since 1977, I had the opportunity to see which strategies worked and which did not. I learned from clients which tactics were comfortable to them and which were not. I also learned from creditors what it took to convince them to support a turnaround and what the owner must do to reestablish his credibility.

This continuous research and hands-on experience enabled me to acquire some very specific know-how about:

- A simple method to never run out of cash.
- The top 3 reasons most small businesses get in trouble.
- A logical and inexpensive method to diagnose your business.
- Where to find new money for a small business turnaround.
- The two most important things to have in your turnaround plan.
- What doesn't work when negotiating with your creditors.
- The most critical factor to a successful turnaround.

The Most Effective Way to Turn Around a Small Business

Turning around a small business is significantly different from turning around a large company. Of course the scale is different, but so are the strategies and tactics. Owners of small businesses have told me they aren't interested in high priced turnaround consultants who ride into town with a "Have gun - Will travel" mentality.

Even if they could afford the fee, most small business owners are uncomfortable with the typical "slash and burn" approach. They tend to view their employees as family members and their creditors as friends. Dealing with these relationships takes understanding and finesse, not a slick consultant with lots of swagger.

These business owners were also very clear that the last thing they wanted was more conflicting suggestions from their accountants and lawyers. It's not that these advisors don't mean well, it's simply that turning around small businesses is not their expertise. The confusion and frustration that result are debilitating, and it further complicates the situation.

Owners of small businesses have repeatedly told me that if they had a map that clearly led them away from trouble, they would follow it. Thus, the Turnaround Roadmap™ was created to provide a simple, yet practical guide for a small business CEO to navigate from negative cash flow to positive cash flow, in minimum time - without all the hassle. This structured system has proven to be an effective way to turn around a small business, particularly when the stress level is high and the CEO is wearing many hats.

Section Two: *The Turnaround Roadmap System*

The Turnaround Roadmap™ system uses 7 steps to implement a successful small business turnaround. If you master these, it is relatively easy to create your own turnaround roadmap. If you then follow the map, the odds are good that you will complete your turnaround and have a profitable company that you can either grow or sell.

Step One: Stabilize your environment so you can make good decisions.

When cash becomes tight, often the first instinct is to cut the payroll and "forget" to make the payroll tax deposit. I strongly advise against this. You can't run much of a business without people and you absolutely must make your tax deposits on time. The IRS is a formidable adversary.

The key to stabilizing your environment is to immediately create and then maintain a positive cash balance at all times. The quickest way to do this is to never spend more this week than you had on Monday, regardless of how much you plan to collect during the week. This simple cash control budget works like a tourniquet; it keeps you alive while you determine what went wrong and what to do about it.

Now, your controller may not think much of this simplistic approach to cash management, but it works and you aren't likely to run out of money if you use it. And, in the nicest way, if your controller were doing his' job, you wouldn't be reading this report. A controller's job is to control the cash, not give you a report saying you don't have enough.

It's also very important to personally sign every check that leaves the building. Sign every purchase order, too, so you don't buy anything you don't absolutely need. Delegating this routine task to your controller is the surest sign that you aren't really serious about fixing your business. There is simply no substitute for knowing the score and controlling your cash.

You will need to prepare a cash budget for the next 13 weeks. It takes time to diagnose the problems and reorganize your business. Naturally, you'll need to create enough cash to move through this period. A simple Excel model will do the trick and it need not be fancy. It does need to be based on fact, not fantasy, and it needs to be updated weekly. The one we use with our clients takes about 15 minutes each week to maintain.

Persons inside and outside your business will look to you for leadership. This is a good time to step up and lead by example. I recommend that you manage by walking around and

¹ I was born in 1949 and educated by grey-haired teachers who had strict rules of grammar. Out of fear that one of them is still living, I use the masculine gender to refer to all humanity.

talking with your employees. Get really familiar with your numbers and business processes and be solution oriented.

Step Two: Find out what caused the problems you are dealing with.

There could be a number of reasons why your business is in trouble, but generally one of the following is the culprit:

1. Sales are down, either taken by new competitors or lost to a decline in market demand caused by an economic downturn.
2. Profit margins have declined while fixed costs remained the same.
3. The business has become top-heavy from an acquisition, bulking up on inventory, or from owner compensation and perks.

The first question to ask is, "How do my business expenses compare to other businesses like mine?"

Here is a free source to find out: <http://www.bizstats.com/>

You'll see how other businesses like yours spend their money and you can use this as a comparison. Your goal is to close the gaps.

Second, review your industry and what's going on with your competitors. Talk to the trade journals that serve your industry. Ask them what they see.

The results of this simple company and industry analysis will help you isolate what caused your cash crisis. Remember, the lack of cash is an effect, not a cause. As you move on the next step, you will begin eliminating the causes.

Step Three: Reorganize the business around a smaller, but profitable "core."

Every sustainable business has a core division, product or service that produces positive cash flow. Do you know what makes up your profitable core? Do you know which products or services consistently lose money?

I suggest you rank the cash flow that each of your products or services produces in descending order. A simple spreadsheet will do. Draw a line where the cash flow turns negative. The products or services above this line are your "core." This forms the basis for your reorganization.

Everything that is not in your "core" business is then systematically discarded. That means facilities, inventory, and the people involved with them. The rule is: if it produces positive cash flow it stays; if not, it goes.

Step Four: Prepare a realistic turnaround plan your creditors will support.

Write a simple turnaround plan to get through the next year and convince your creditors to stick with you. Be clear and state your objectives in measurable terms. Describe your core business, sales plan, staff reductions and cost saving actions. You should include a cash budget and a set of monthly financial projections.

Be brutally honest in your assessment of how you got into this situation and how you intend to get out of it. This will help restore your credibility. You will need this to obtain concessions from your creditors.

The objective in writing a turnaround plan is to prove that you can stay in business while you turn things around. Creditors generally assume if you can't write it down so they can understand it, you can't expect them to believe it. Frankly, that's fair. So, take your time and do it right.

Step Five: Negotiate the restructuring of your debts and obligations to the level your cash flow will support - nothing more.

Sort your creditors into two groups: Group A and Group B.

Group A creditors are those you need to do business with in the future, like banks and critical suppliers. Group B creditors are those you can replace and don't need to survive. Usually, Group B creditors create the most noise.

Because you've done your homework and are operating with positive cash flow, you are now in a position to negotiate. Meet personally with each Group A creditor and sell them on your turnaround plan. Be factual and positive. Show them how they will be repaid from the cash that flows from your reorganized company. My experience is that most Group A creditors will go along with you.

Caution: Creditors often try to strengthen their position and compromise your long-term viability for the sake of recovering their money more quickly than your cash flow allows. Politely tell them, "No." Remind creditors that it is only the cash flow from your reorganized business that can repay them.

Don't waste time with Group B creditors. Hire a debt negotiator to obtain a settlement for you and move on. These specialists are a unique group, and frankly some are better than others. Contact me for a recommendation.

Step Six: Execute with discipline and persistence.

I've seen many business owners get past the immediate cash crisis and calm their creditors down, only to fail to execute their turnaround plans. They stop focusing on cash flow, lose their discipline of daily measurement, and turn instinctively back to sales (where the fun is). The result is a predictable slide back to negative cash flow, missed payments...and the wheels come off the wagon. The owner loses all credibility and there is no recovery.

To avoid this, stick to your map and do all the tasks called for in your turnaround plan. Insist on personal and staff accountability. Success is won or lost through execution.

Step Seven: Grow the business if it still excites you. Sell it if not.

If you like what you do and can you see yourself happily doing it for another three to five years, you should keep your company and grow it. You now have a profitable company and staying on course should be easier this time around. You certainly know what to avoid.

However, if the turnaround has worn you out, you probably should sell this company and do something else. The good news is your company is now worth something, whereas before you turned it around, it was worth little or nothing. Manage it well while you have it on the market. If you decide to sell, I can refer you to several excellent intermediaries.

Results and Metrics

If you're like most business owners, you are naturally interested in what types of results you can expect from following a Turnaround Roadmap. Well, it's similar to navigating with a GPS receiver. You watch yourself move from one checkpoint to the next as you travel along your route.

In this case, the route is defined as traveling from negative cash flow to positive cash flow. The route is clear and any obstacles are well marked. You get the picture.

Although individual results will vary, here are some typical metrics:

If you are starting with a pile of bills on your desk that you can't pay, you can expect to whittle them down to a manageable list within 30 days and virtually eliminate Past Dues within 90 days. You can reasonably expect to convert some accounts payable into long-term notes and settle others for a few cents on the dollar.

Naturally, not every creditor will cooperate, but most will. The key to getting a "Yes" is a reasonable turnaround plan that shows them how you will stay in business, pay them on time for current purchases, fix the causes of your cash problem, repay existing debts over time, and remain profitable while you doing all this.

You can also expect that your business will get smaller, rather than larger, while you are following your turnaround roadmap. Your revenue could drop 30% to 35% during the first few months. However, you will be profitable on less revenue, because you will have reorganized your business around the services and products that consistency produce positive cash flow. It is this consistent positive cash flow that allows you keep moving.

Many business owners confuse process with results. As a result, their expectations are rarely met. Turning around a business is a lot like getting in shape - it doesn't happen overnight. You achieve lasting results by following a proven process and sticking with it.

The same is true for turning your business around. You can expect it take from 6 to 9 months; in difficult cases it could take longer. The key is to have a realistic plan, stick with it, and measure the results to stay motivated. In business, the critical result is cash in the bank. That's quite a motivator.

You know how much you have invested in your business and what you have at risk. That makes it easy to determine whether it's worth it or not to turn your business around.

The important conclusion to reach from these metrics is that once a turnaround roadmap is properly developed, all you have to do is follow it. It will guide you from negative cash flow to positive cash flow in minimum time and in a consistent and predictable manner.

To learn exactly how to create your own turnaround roadmap, visit: [Turnarounds Made Easy](#). It's the world's only step-by-step E-Learning Course that teaches how to revive a small business.

Concluding thoughts on the next page...

Concluding Thoughts and Next Steps

One of the biggest challenges to a successful small business turnaround is decision paralysis: not knowing where to go or how to get there. This is particularly challenging when a business seems to be "stuck in the mud" and can't seem to get any traction. Two things will help: a clear path and a little push to get things moving.

If your business has become unprofitable, I can help you change that. You can learn more at [Turnarounds Made Easy](#).

As you can tell from this overview of the Turnaround Roadmap method, turning your business around does not involve guesswork, unnecessary stress, or long-nights at the office. Turning your business around is a straightforward process of:

- ⊖ **Stabilizing** the environment so you can make good decisions.
- ⊖ **Diagnosing** why cash is tight, sales are off, and profits are down.
- ⊖ **Reorganizing** your business around a profitable core.
- ⊖ **Preparing** a reasonable turnaround plan your creditors will support.
- ⊖ **Negotiating** the restructuring of your debts and obligations.
- ⊖ **Executing** your turnaround plan with precision and consistency.
- ⊖ **Growing** (or selling) your business when the turnaround is complete.

Of course, as a friend of mine is fond of saying, "We reap the benefits of what we actually do, not what we plan on doing someday when we're not so busy."

If your business is not producing enough cash to pay the bills on time and you'd like to fix that, perhaps we should talk. I would be glad to explain how to use a Turnaround Roadmap™ to solve your cash flow problems and get back on track.

Thank you for your interest in my work. I wish you much success in turning your business around.

Kind regards,

Van Lanier

[Turnarounds Made Easy](#)