

MANAGING
A BUSINESS THROUGH

CRISIS

**6 STEPS TO GET IN FRONT OF
THE GAME & STAY THERE**



GREAT THINGS HAPPEN ON THE OTHER SIDE OF FEAR



“

**ONLY WHEN THE TIDE GOES OUT DO YOU
DISCOVER WHO'S BEEN SWIMMING NAKED**

WARREN BUFFET

KEEP IT SIMPLE.

There has been a wariness in financial markets since the GFC. Business leaders have been talking market contraction for some time, some economists were claiming recession is here and others saying it is close. There is now no doubt. Global political tensions have been escalating for years, particularly predominant amongst the so-called super-powers. And digital disruption and the pace of change will never be this slow again.

As a global economic proposition, we have been holding-on for some time. Coronavirus has now tipped us over the edge.

Fortunately, governments are deploying financial stimulus as quickly as humanly possible however that may not necessarily be your silver bullet.

For the most part these packages provide cost relief via credit and deferment. You will need to remain sustainable in order to benefit from them. It's about hibernation. Be aware however, if you hibernate you will be a long way behind those that innovate.

The CRISIS method is a proven 6-step turnaround intervention. Through simple questions, checklists and frameworks it is the minimum viable product that will enable you to quickly build a picture of what success needs to look like, by when.

Not only will this method guide you through crisis, it will give you a competitive edge when you get through to the other side.

As managing director and major shareholder Brian grew a construction business from \$40M to \$100M over 4yrs without any external capital, and then at the height of the GFC and deep inside a multi-million dollar turnaround, created a \$250M JV with a subsidiary of one of the world's largest contractors.

With a background in large scale, high risk, low margin construction he is an independent advisor to boards and executive teams creating strategies enabling organisations and individuals to get to their *next*.



THE C.R.I.S.I.S METHOD

C	R	I	S	I	S
CASHFLOW	RIGHT PEOPLE	INFORMATION	SUPPORT	INNOVATION	STRATEGY
If cash is king then cost control is boss.	ACE people are aligned, capable & engaged	Data-driven facts rather than 'holding on' to forecasts.	It's bloody tough and it's ok to ask for help.	See, think, plan & act differently, is your new normal.	Success starts with the end in mind.



STEP 1. CASHFLOW

Ok, at first glance you probably think that cashflow is stating the obvious right?

This is not about turnover, it's about what's leftover.

What is not obvious to a lot of people is how you optimise cash when your ability to earn it is compromised.

In crisis, a sales first approach is delusional thinking.

Controversial I know, and salespeople don't like it, however battering down the hatches is priority number one in business sustainability. Chasing funnels, channels & ads will only impose further financial stress becoming a 'do more and receive less' kind of outcome.

Restructuring is a planned initiative optimising cashflow to meet the current and anticipated business environment. Cost-cutting is simply stopping the bleeding... for now. Either can be relevant separately, however successful crisis management requires both.

Here are 5 fundamental CASHFLOW questions to ask yourself:

- 1 If I am cost-cutting just to stop the bleeding, how and by when do I think the bleeding will stop?
- 2 And to what extent am I restructuring the cost base to sustain our compelling reason for being in business?
- 3 How do I know that I am restructuring the right areas, in the right sequence, with the right people, for the optimum outcome?
- 4 What is my supply chain partnership strategy?
- 5 What does my cash buffer look like and how do I get access to external capital? Is it debt or is it equity?

Consider this generic matrix to design your own cost restructure. You will need to be unemotional about this – cashflow is the enabler of your crisis mitigation.

IMPACT	RESTRUCTURE	REASSESS	REMOVE
High Value. Business Critical, can't do without.	Plant & Equipment Insurances. Lease Agreements. Finance Costs.	Sales & Marketing. Hire Purchase. Support Staff. External Facilities.	Delusional If you remove high-value impacts
Moderate Value. Business Important, nice to have.	Utilities agreements. In-house compliances. Consultants. Staff expenses.	Property Assets (utilised). Business Development expense. Recruitment.	Property Assets (investment).
Low Value. Business As Usual, can do without.	Either reassess or remove low-value impacts.	Outsourced non-critical service agreements.	Low output admin. Subscriptions and consumables.

Here's what cost-base reinvention looks like.

PROTECT REVENUE.

Too often stressed businesses start by removing people & paying out redundancy. You may be cutting expense and revenue. Instead quantify the cost-benefit each generates in managing & producing revenue.

CUT FIXED COSTS.

Not only does this allow you to assess outsourcing it will generate quick wins & show that it's not just people being removed, giving meaning and purpose to the restructure.

IDENTIFY SYNERGIES.

How do you make 1 + 1 = 3? Can you shift admin tasks externally or engage a freelancer? Immovable, historical systems and processes indicate a business that is reluctant to meet volatility and uncertainty head-on.

INTEGRATE FUNCTIONS.

Similarly, remove duplication through overlaying common functions across different business units, providing quick wins & another level of people engagement through diversification of roles and responsibilities.

DIVEST TO REINVEST.

Capital is cheap and growth is low. Assess the cost benefit of divesting part, or all, of the bricks & mortar assets and then investing in 'bigger picture' growth via outsourcing, partnership or technology for longer-term benefit?

SPENDING LESS DOESN'T MEAN YOU ARE CREATING LESS.

STEP 2. RIGHT PEOPLE

Successful leaders prioritise a specific picture around what success looks like for their people firstly knowing that this underpins discretionary effort, the enabler of the success that will follow. It's the **what's in it for me** question.

People are your ultimate enablers.

To assume that your people will simply fall in behind business process and provide optimum performance is delusional thinking. It is not just about you, crisis impacts all.

Here are 5 fundamental PEOPLE questions to ask yourself:

1 Do I have people alongside me that *can* (capable), *know* (aligned) and *want* (engaged) to get on top of this challenge?

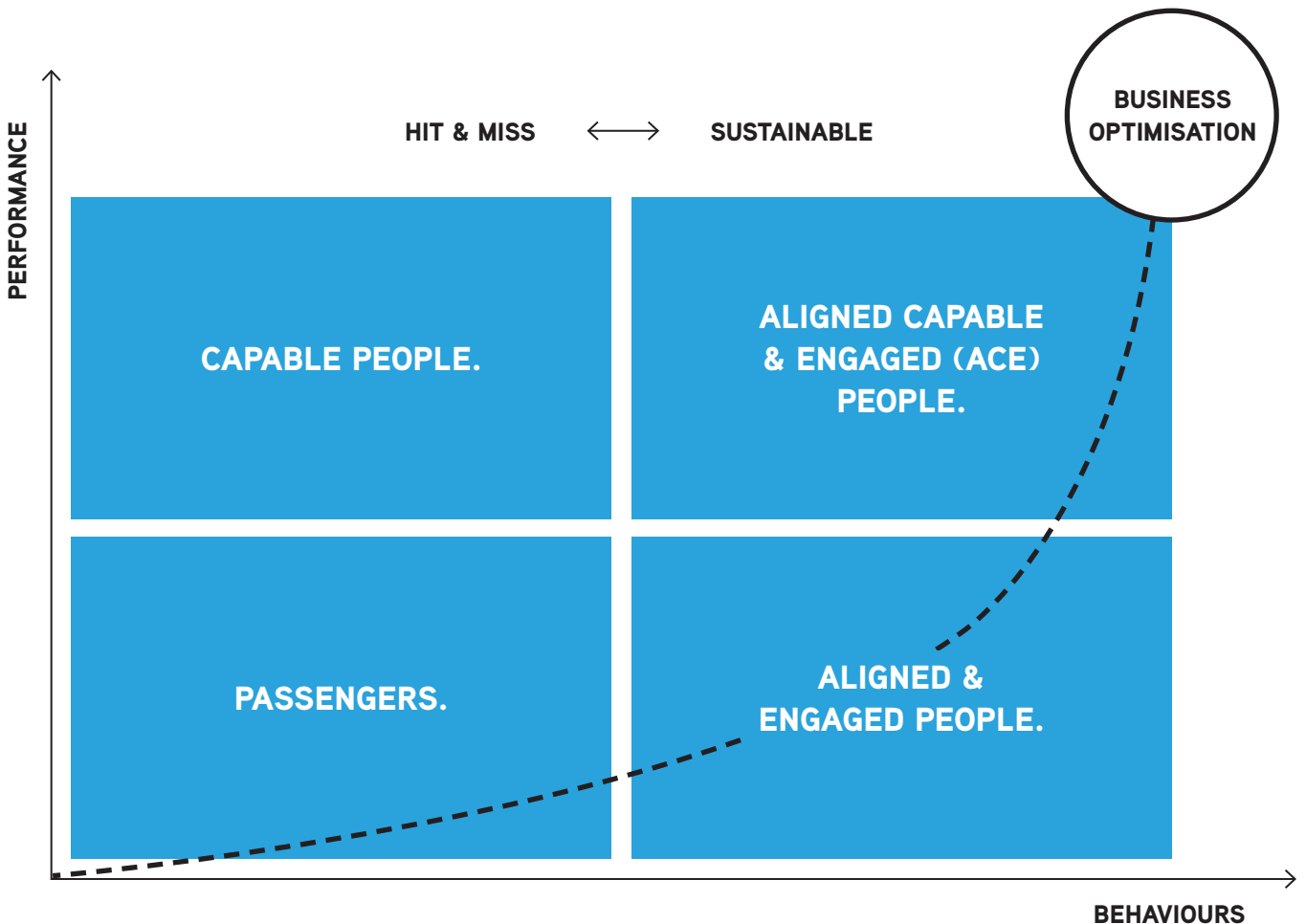
2 Or do I have the same old people doing more of the same old thing holding-on for a better outcome?

3 Do I have access to specialist contractors or freelancers to help me economically build my bridge to *next*?

4 Do I have an external advisor(s) that I can rely on to get down and dirty when we need to?

5 Have I told my people what's in it for them?

Consider where your people slot into this performance spectrum to ensure that you are 'heavy' in the ACE category.





Successful leaders know that understanding their employees' personal context is fundamental to attracting their discretionary effort.

They have this level of engagement in place from day one so that when crisis eventuates there is no mistaking who will maximise their own efforts in support of the business.

People-enabled crisis management success factors.

TELL THEM WHY.

Each one of your people must know exactly what is in it for them every single day – help them understand where the crisis sits, how the business is recovering, and how that impacts them.

CRITICAL MASS.

Involving your people in both the mechanics and the performance of your turnaround strategy and clearly defining their role in it, will ensure that you have a movement of people getting to your *next*.

KEEP IT REAL.

Personalise the strategy, don't isolate your people from it. Provide advance warning before fundamental divergence so there are no surprises. Despite the fine line the business is travelling promote it as a learning and development experience.

RESPOND TO EFFORT.

If you overlook recognition you may as well forget recovery. It is delusional to think that discretionary effort goes unrecognised and/or unrewarded just because you have been in crisis. Quite simply it starts with thank you.

WHAT'S NEXT.

Whilst deep inside crisis your people will want to know what their *next* looks like. Whilst they are digging deep for you, are you exposing them to career development? You may be surprised at the number of people who will see this as a unique opportunity for fast-tracked development.

**PUTTING PEOPLE BEFORE PROFIT WILL OPTIMISE
YOUR CHANCES OF PRODUCING PROFIT.**



STEP 3. INFORMATION

The ability to collect, manage and analyse real-time data is critical to successful turnaround.

You must be able to translate data into decisions, quickly.

Too often we hear of business leaders blind-sided by what turns out to be poor information, illogical forecasting and inaccurate reporting leading to profit write-downs, depleted cash flows and often, a business that is about to be yesterday's news!

Here are 5 fundamental questions to ask yourself:

- 1 What mission critical financial and non-financial data do I need to know every day?
- 2 What external data do I fear and need to get on top of?
- 3 How do I know that I am asking the right questions and getting the right answers?
- 4 Do I have appropriate systems, processes & people providing me access to accurate and real-time data whenever I need it?
- 5 Do I have an independent view of the data I am receiving and the decisions that I am making?

Consider this generic matrix from which you can create your own performance dashboard and ultimately become another enabler, decision-making.

PERFORMANCE	HURDLE	LAST WEEK	TODAY	T	EOM _{forecast}	T
1. Profit per person	\$1.2Mmin	\$1.20M	\$1.25M	+	\$1.20M	-
2. Gross profit	%GPmin	4.52%	4.55%	+	4.52%	-
3. Daily cash flow	\$4.5Mmin	+\$4.6M	+\$5.6M	+	+\$6.0M	+
4. Debtor receipts	30Dmax	30D	25D	-	24D	-
5. Creditor payments	45Dmin	40D	43D	+	45D	+
6. Production	1,450day	1,500	1,450	-	1,475	+
7. Overdraft	\$750Kmax	\$520K	\$550K	+	\$510K	-
8. Cash reserves	\$2.0Mmin	\$900K	\$925K	+	\$910K	-
9. Product enquiries	20day	50	45	-	35	-
10. New contracts	5week	3	3	-	4	+

Consider these data-driven decision-making strategies.

KEY METRICS.

Establish a dashboard of the operational KPIs to gauge real-time performance. Have a sense for daily, weekly & monthly metrics that will enable you to accept, question or dig deeper into what you are being told.

WHAT IF?

Introduce consistently applied sensitivity analysis, an operational bandwidth within which you can continuously test various scenarios against key risks and opportunities. This is your filter.

PULL THE TRIGGER.

Always know your worst, likely and best-case scenarios so that you know what your world looks like when you deploy whatever intervention the data is telling you to deploy. This won't be a surprise – you will see it coming and you will already know what you need to do.

DATA INTEGRITY.

Beware the complex, overly detailed and colourful operational reports. Ensure that any data delivered to you is relevant, current and based on tangible productivity output rather than aspirational forecasts and accruals, that is, you can measure it and you can test it.

DON'T SLOW DOWN.

If you must use a traffic light assessment tool then there is no amber in crisis management. Either it's high risk (red) or low risk (green) and nothing in between. Prioritising risk management needs to be simple. It's go or no-go, not maybe.

WHEN CRISIS UNFOLDS IT ACTUALLY UNLOADS. IT WILL GET WORSE IF YOUR NUMBERS ARE A SURPRISE TO YOU.



**SITTING BEHIND A DESK IS
A DANGEROUS PLACE FROM
WHICH TO LEAD A BUSINESS.**

STEP 4. SUPPORT

This has nothing to do with asking for help in a defenceless kind of way. This is about tapping into the capability of others in order to relieve the pressure valve that is building inside the business, as well as in you and your people.

Sh!t just got real. Don't let ego get in the way of success.

Your turnaround strategy needs to be specific, high impact, and without delay.

You need to be on your game, with your best internal team and external advisors.

When livelihood gets personal, survival mode is the predominant mindset. Fair enough.

However, beware a fixation with generating revenue at all costs until you have your backyard in order firstly.

Here are 5 fundamental SUPPORT questions to ask yourself:

- 1 Where is my headspace at? Be honest. If it remains a one-dimensional fight to the death mentality you are likely to be on a hiding to nothing.
- 2 What is my pressure relief valve? What am I doing each and every day to re-set my physical and mental self?
- 3 Do I have internal people that can, know & want in the trenches alongside me?
- 4 Do I have an independent external advisor who can co-create crisis management with me, and open doors that I cannot get near?
- 5 What external stimulus and other financial relief initiatives are available to me, or will I need to create?

A Responsive Leader has a shared mindset and the ability to adapt to a changed environment, at pace, proficient in bringing people along for the journey. Start here.



EXERCISE

A device-free thinking space. A daily ritual of mental clarity supported by physical exertion generating endorphins – the body's positive response to stress.



ACE PEOPLE

Aligned, Capable & Engaged people. No passengers. Those that are committed to the cause & deserving of reward when you get to the other side.



ADVISOR

An independent external view. A proven people-enabler, an experienced transformation resource that will roll their sleeves up alongside you.



ACCOUNTANTS

Financial strategists, not just bean counters. Able to seek out and negotiate stimulus & financial relief. Owners of your daily scenario management.



SUPPLIERS

That can provide flexible terms and alternative arrangements. Get beyond the transaction – engage suppliers you are willing to share future upside with.



PARTNERS

Consider aligning with complementary businesses to not only generate new opportunity but to enhance capability and remove duplications.



FINANCIERS

Capital partners beyond just a transaction, who are not only invested in your long-term sustainability but also have an ability for short-term facilities.



STEP 5. INNOVATION

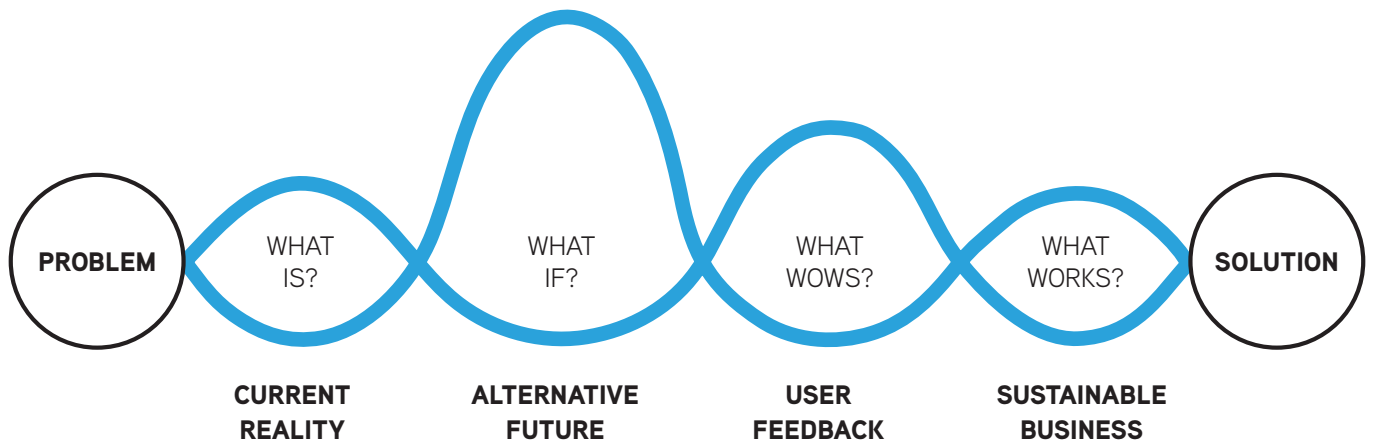
Innovation is not so much technology, it is the uncontaminated process of thinking and doing differently that will lead you to whatever technology, tool, infrastructure, or initiative, that will enable the disruption you need.

Ingrained thinking and traditional doing got you to where you are now. It's time to move on.

Whilst exponential thinking is needed to realize 10x growth, your current incremental doing may bring surety to 10% of your viability for now, so don't throw the baby out with the bath water.

Here are 5 fundamental INNOVATION questions to ask yourself:

- 1 Am I prepared to look at everything?
- 2 Do I have the time and the confidence to try before we buy and then worst case, the ability to fail fast and move on? If not, you may in fact be going backwards even faster?
- 3 What components of our infrastructure do we need to re-assess to enable us to start doing differently?
- 4 Which quick wins will generate immediate change momentum?
- 5 How do we make our problems the foundation for a new business idea that may solve an industry problem?



Quite often innovation gets lip service. How many of these can you tick off your innovation-ready checklist?

- AUTHENTIC** Business targets on the basis of doing differently.
- SELECTIVE** A time and risk balanced portfolio of initiatives.
- DIFFERENT** New business and market insights.
- EVOLVING** A business model that provides scalable profit.
- QUICK** Develop and launch quickly and effectively.
- RELEVANT** At the right scale in the right sector.
- PARTNERING** Momentum through leveraging external networks.
- MOBILISED** Aligned, Capable & Engaged people, ready to go.



THE DEFINITION OF INSANITY IS DOING THE SAME THING OVER AND OVER AGAIN EXPECTING A DIFFERENT RESULT.

ALBERT EINSTEIN

STEP 6. STRATEGY

From a business point of view having an open mind or an outside-in perspective enables us to anticipate and shape game-changing shifts.

Start with the end in mind.

To be an authentic *outside-in* thinker you may need to reassess your mindset and

- Accept that you do not have all the angles covered;
- Encourage new insights from whoever can offer them;
- Tolerate well-intentioned failures. Fail fast, learn and move on.

Here are 5 fundamental STRATEGY questions to ask yourself:

- 1 Do we really know what success looks like by when, or are we simply holding-on hoping that business will just get better? What is our ultimate prize?
- 2 Do we know what failure looks like if we do nothing or more of the same? What is our deepest fear?
- 3 Have we aligned our internal people and our external resources so as to optimise our chances of success?
- 4 Do we have the most appropriate infrastructure to manage our performance?
- 5 Have we invited our external stakeholders into our inner circle so as to have them invested in what is now our mutual success?





CHALLENGE IS ULTIMATELY THE ENERGY FOR REALLY AND TRULY MAKING A DIFFERENCE. YOUR BURNING PLATFORM.



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