








STEPHANIE KLEIN-DAVIS | The Roanoke Times

Mellisa Williamson, 35, a Bullitt Avenue resident, worries about the effect on her unborn child from the sound of jackhammers.



---

# County to pay \$250,000 to advertise lack of funds

BY MATT COOPER  
*The Register-Guard*

Lane County will spend up to \$250,000 this year publicizing its tight financial picture, in hopes that voters in November will approve higher taxes for public-safety services.

It's an amount for county spending on publicity that has been unparalleled in at least the past 10 years. And it illustrates the seriousness of the effort to persuade voters





- **Tot wanders into street while mom's at parenting class**
  - **Thursday, March 03, 2011**
  - **The Associated Press**
- **Police say a 2-year-old boy was found wandering on the streets of Charleroi. The toddler had no shoes or jacket when a passer-by noticed him walking into the street as a car approached.**



# **Bad idea**

- **Swiss woman dies after attempting to live on sunlight; Woman gave up food and water on spiritual journey**
  - **THE ASSOCIATED PRESS**
  - **Published: Wednesday, April 25, 2012, 3:30 PM**



# Today's Quotes

- **Success is 99 percent Failure**
  - Soichiro Honda, Founder, Honda Motor Company
- ***Success is a matter of luck - just ask any failure***
  - Mark Peterson
- **In business as in life, your chances of being run over are doubled if you stay in the middle of the road.**
- ***It's not whether you get knocked down. It's whether you get back up.***
  - Vince Lombardi



- **I can't cook. I use a smoke alarm as a timer - Joan Rivers**



- **If you try to fail, and succeed, which have you done?**
- **Failure is not an option. It is included in the software.**





**Jay Goltz: “People never know why they ran out of cash. If they ran the business well, they wouldn’t have run out of cash. Management skills are crucial, but everyone blames failure on ‘running out of capital’”.**

# Two Articles in the News on the Same Day – 12/13/05

- **Plummeting 2005 box office sparks Hollywood Crisis**
  - Ticket sale revenues dropped five percent in the first 11 months of 2005 while the number of Americans going to the cinema fell by 6.2 percent compared with the same period in 2004, according to box office trackers Exhibitor Relations Co Inc. The result is Tinseltown's most disappointing box office performance in 15 years. ... It is not just a slump in box office, but also in sales of DVDs. ... **Industry movers are battling to isolate the true causes of the slump.**
- **Gay themes grab hold**
  - It's red meat for the culture warriors. This year's Globe nominations highlight a year in which lesbian, gay, bisexual and transgender characters played major roles in [5 heavily promoted] titles. ... **"These are films with universal themes that everyone can identify with"** said an industry spokesman.

# **Give customers what they want and they will come**

- **LOS ANGELES | Wed Aug 17, 2011**
- **LOS ANGELES (Reuters) - A popular boy wizard, comic-book heroes and some foul-mouthed women are leading Hollywood toward a record-breaking summer despite the sour economy and high unemployment resulting in tightened consumer spending.**

# How self-deluded can you get?

- The number of federal individual income tax returns examined by the Internal Revenue Service has continuously increased over the past five years.
- The uptick in **enforcement** is all for the greater good of maintaining **a voluntary tax compliance system**, the report says. IRS Oversight Board studies of taxpayer attitudes showed that fear of examination is a major factor influencing taxpayers to report taxes honestly. In 2010, 64 percent of taxpayers surveyed cited **fear** of examination as a factor that influenced their **voluntary compliance**



The background of the top section of the slide is a close-up, grayscale image of several coins, likely Bulgarian Lev, showing intricate designs and the word "ЛЪВ" (Lev) on some of them.

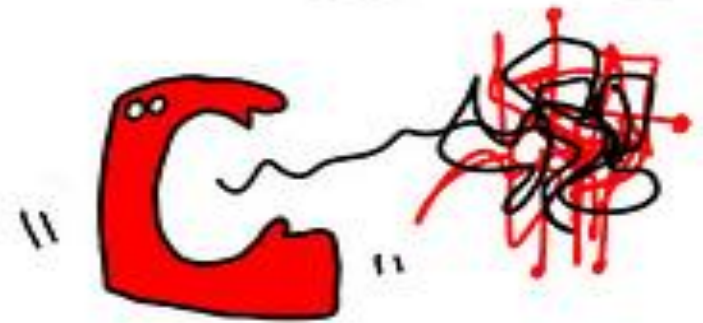
# **Bad management always has an excuse**

**Brothel owners in Bulgaria are blaming global warming for staff shortages.**

**They claim their best girls are working in ski resorts because a lack of snow has forced tourists there to seek other pleasures.**

**Petra Nestorova, who runs an escort agency in Sofia, said: 'We have hired students, but they are temps and nothing like our elite girls.'**

whining  
is **not** an  
exit  
strategy.



*hugh*



# **Why the economy is so bad**

- **Joe Biden: ‘We Have to Go Spend Money to Keep From Going Bankrupt’  
Thursday, July 16, 2009**
- **“We abandoned free market principles to save the free market system,” - George W Bush at the end of his 2<sup>nd</sup> term**

A close-up, black and white photograph of several coins, likely US quarters, overlapping each other. The coins are slightly out of focus, creating a textured, metallic background.

# **Zen Question**

- **Which is more useful, the bowl or the space inside the bowl?**
- **Be observant**
- **Look from many different angles**





# **Key learning**

- **Strengths are weaknesses**
- **Weaknesses are strengths**



# **Signs of Trouble**

- **Decreasing working capital**
- **Shrinking cash balances, Overdrafts**
- **Increased aging of Receivables and Payables**
- **Financing long-term assets with short-term money**
- **Increasing financing costs**
- **Slowing inventory turns**

The background of the slide features a close-up, grayscale image of several coins, likely US quarters, overlapping each other. The coins are slightly out of focus, creating a textured, metallic background.

# **More Signs of Trouble**

- **Declining margins**
- **Declining sales**
- **Declining profits**
- **Disruptions in operations**
- **Customer dissatisfaction with products or service**
- **Low morale, high turnover**
- **Management becomes reactive instead of proactive**

The background of the slide features a close-up, grayscale image of several coins, likely US quarters, overlapping each other. The texture and details of the coins are visible, including the word 'LIBERTY' and the year '1981' on one of them.

# **More Signs of Trouble**

- **Lack of timely and accurate information**
- **Short-term planning is difficult**
- **Long-term planning is impossible**
- **Inability to pay debts as they mature**
- **Deteriorating relationship with lenders and vendors**





# **Stages of Trouble**

- **Early**
  - **Falling cash balances, but only sporadic shortages**
  - **Isolated operating bottlenecks**
  - **Margins erode**
  - **Sales stagnate or decline. Inventory rises.**
  - **Payables stretch.**
  - **Management not concerned, believes that problems will correct soon.**



# **Stages of Trouble**

- **Intermediate**

- **Operating problems become more acute as shortages disrupt business flow.**
- **Receivables collections slow as customers become concerned.**
- **Margins decline noticeably.**
- **Cash balances become dangerously low. Meeting payroll is a challenge.**
- **Lenders become concerned and begin taking management's time.**
- **Morale falls, good employees start leaving.**



# **Stages of Trouble**

- **Late**

- **Everything is in chaos**
- **Chronic material shortages and customer emergencies disrupt operations constantly**
- **A/R collections drop dramatically**
- **Most purchases are COD or CIA**
- **Cash balances are negative, company is playing the float**
- **Financial management is spending all its time with lenders. Reporting becomes ineffective**
- **Customers and employees both jumping ship**
- **Management becomes totally ineffective**



# **Why companies fail**

- **Money isn't everything - you have to know what you are doing.**
  - **Poor management**
  - **mismatch between strategy and capital**
  - **not generating enough sales**



# **Internal Causes of Failure**

- **Ineffective management**
- **Undercapitalization**
- **Excessive leverage**
- **Failure to penetrate key markets**
- **Lack of product innovation**
- **Large concentration of customers**
- **Limited sources for strategic or scarce materials**
- **Poorly planned incentives for employee retention**
- **Lack of planning by budgeting**
- **Lack of M.I.S.**
- **Lack of timely internal reporting**
- **Over-dependence on key individuals**
- **Owners concentrate exclusively on technical issues**

CAPTAIN  
OBAMA,  
WHAT  
SHOULD  
WE DO?!?



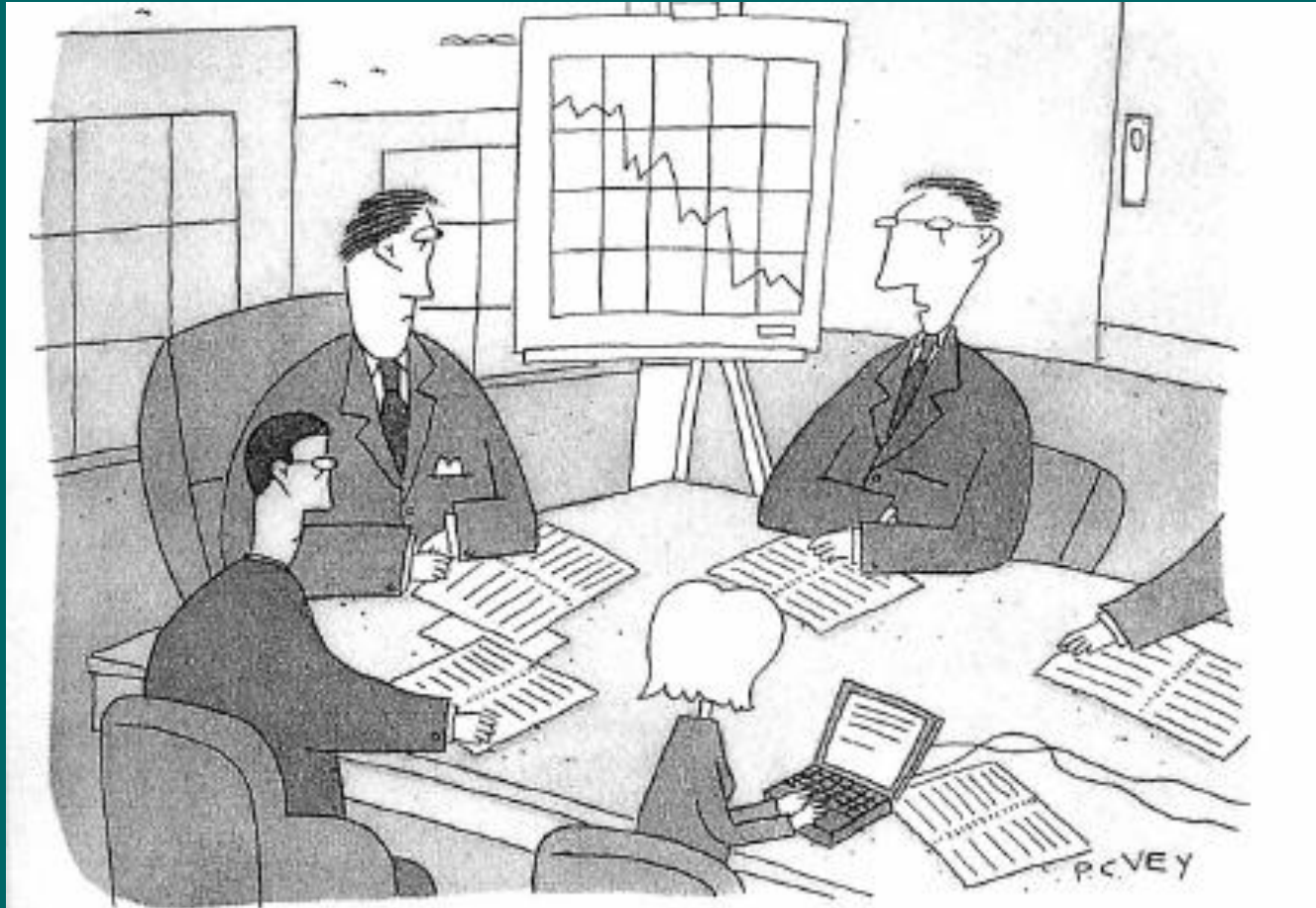
HOLD ON,  
I'VE GOT  
A PLAN!



# **External causes of Failure**

- **Government**
- **Industry conditions**
- **Economic conditions**
- **Labor problems**
- **Competition**
- **Technology obsolescence**
- **Natural disaster**
- **Shifting consumer preferences**
- **Limited source of key materials**
- **Decreasing market for product or services**

# Typically seen



"We were too busy ignoring the warning signs  
to pay attention to the projected disaster."



# **How to avoid trouble**

- **Establish good monitoring systems**
- **Quickly respond to whatever divergences are found**
- **Listen to your employees, customers, and vendors**
- **Do not become a bureaucracy**
- **Realize that more capital is almost never the answer**
- **Stay calm**
- **Deal with problems, not symptoms**
- **Be ready to be tough and realistic**





# **8 ways to destroy your business**

- Market only in slow times**
- Fail to focus**
- Overlook testing and research**
- Rely on just one or two marketing tactics**
- Underspend on marketing**
- Fail to present a professional image**
- Ignore current customers**
- Overlook what technology can do for you**



**You cannot solve  
a problem by  
throwing money  
at it**



# **Action Steps to Take**

- **Take control of cash**
- **Engage competent professionals**
- **Develop short term business plan**
- **Prepare liquidation analysis to determine best steps to take**
- **Address other problems once cash is stabilized**

# **Financing alternatives for the troubled co.**

- **Asset sales**
- **Secured financing**
- **Employee stock ownership plans**
- **Reorganization (change terms of debt)**
- **Equity infusions**
- **Bankruptcy - debt discharge**
- **Walk away**

# **Successful turn-around management traits**

- **Strong focus and attention to cash flow**
- **Willingness to admit mistakes**
- **Open to radically new ideas**
- **Has a clearly defined action plan with timetables and performance measurements**
- **Clearly defines responsibility and authority**
- **Communicates timely and effectively**
- **Designs effective M.I.S. and uses it for decision making**
- **Creative and “can do” attitude**
- **Understands and relies on risk analysis**



# **Crisis Management**

- **Get the company to admit it has a problem**
- **Involve the management team**
- **Prioritize the company's activities**
- **SWOT analysis**
- **Rank the company's customers**
- **Raise prices**
- **Approach different types of investors**
- **Focus more on customers**
- **Stop developing new products**
- **Motivate the team**
- **Keep your eye on the ball**
- **Don't flog a dead horse**

# Perspectives change



"The key difference with the new plan is that we now accept as normal what we at one time feared the most."

# **How do you know when to Quit?**

- **Consistent negative cash flow that you cannot reverse.**
- **Consistently losing customers**
- **When the person that you are lying to is yourself**
- **When you start lying on paper.**
- **Consistently losing employees.**
- **Excessive price cuts or debt.**
- **It's not fun anymore**



# Tips

- **Do not wait for suppliers to call you when a payment is delinquent. When you have a problem, call them and avoid undue anxiety on both sides.**
- **Do not think that you can keep the company's troubles a secret from your employees.**



# More tips

- **Honesty really is the best policy. Really.**
- **There are some times when you cannot tell the truth - it is too troublesome. In that case, say nothing. Do not lie.**





# More tips

- **Never, ever, ever play games with trust fund taxes.**
- **Be aware of insider dealing laws in the bankruptcy code.**
- **Do not get people angry at you. It is much easier to abandon a business if creditors are not vindictive.**

# **Traps in liquidating or harvesting a co.**

- **Pension, benefit plans, etc.**
- **Environmental issues**
- **Trust fund taxes**
- **Exit taxes**
- **Federal plant closing (WARN) act**
- **State and local governments**

