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Newsletter

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PROVIDING SOLUTIONS FOR PEAK PERFORMANCE

Topic – New Year Resolution – Conduct Baseline Assessment

Happy New Year! When one year ends and another begins we tend to reflect on the positives and negatives of the previous year. From a personal perspective, we put together a list of New Year resolutions and from a business perspective, we plan, forecast and budget. Regardless, we contemplate what we can do differently as we move forward to change or turnaround a current situation that is not producing the desired results.

When a business is struggling or in trouble, recognizing that changes need to be made and acknowledging that outside help could be beneficial is the first step on the road to recovery. While the first stage in a classic turnaround situation is to change management, if the current management recognizes that changes are necessary, open to feedback and willing to make the changes... perhaps this can be avoided.

At Racca Solutions Group, we believe the first step to any turnaround opportunity should be to conduct a baseline assessment. An assessment will provide the leadership team or board of directors with tremendous insight into their people, the processes they use and the technology that supports them. The prioritized recommendations that come out of the assessment will also provide the leadership team with key objectives they can assign to their staff. The recommended changes that they feel they do not have the expertise to accomplish themselves can be outsourced to a third party.

An assessment report provides the following:

People: Assessment of the current organization structure

- Organizational Gaps
- Skill Strengths/Vulnerabilities
- Opportunity to Leverage Expertise
- Opportunity Matrix

Process: Assessment of the current process capabilities

- Full Process Capabilities
- Strengths/Vulnerabilities
- Scalability
- Best Practices



Technology: Assessment of current technology capabilities

- Hardware (Servers/Cloud)
- Applications (ERP, Financial & Engineering)
- Networks (MPLS/Internet)
- End-Point Equipment (Computers, Phones, Printers...)

Email info@raccasolutions.com or call 832-449-8560 to get a redacted baseline assessment,

Case Study – Turnaround Management

Situation Analysis: Due to a 50% reduction in revenue because of a declining market, an oilfield services company found themselves in an EBITDA negative situation and with only enough cash to cover one payroll. Racca Solutions Group (RSG) was engaged to perform turnaround services. The goal was to improve cash flow, decrease working capital and regain a positive EBITDA.

Improvements Identified: An interim CEO from RSG was named and immediately took charge. Utilizing transactional Lean Six Sigma methodologies and a multi-faceted disciplined approach, key areas where additional organizational cuts and further cost savings could be made without compromising the day-to-day business were identified and included:

- 60% reduction in the organization while continuing to serve the market
- Streamlining processes to support execution with smaller team
- Renegotiating all operating and capital leases
- Restructuring the sales team to be more effective
- Negotiating new bank terms – principal term payments suspend for 1 year, interest only payments

Overall Results: While significant gains were achieved through the collapsing of the organization and renegotiation of leases, bank terms, etc., other achievements included:

- >\$8M of liquidity in 8 months
- \$10.2 million of cost removed from the enterprise
- Consolidation of the supply chain and removal of \$1M of slow moving inventory – total inventory reduction of \$8M
- Selling off rental assets was used to pay term debt

In addition to the financial recovery of the company and the implementation of longer term process improvements, an additional benefit was realignment of the Board of Directors and a renewed hope for the company.