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PROVIDING SOLUTIONS FOR PEAK PERFORMANCE

Topic - Where are we and how do we achieve our goals?

It is not uncommon for companies to struggle during a downturn and while the financials clearly show this, wouldn't it be helpful to have a clear picture of exactly where you are, what it is going to take to get through the period and then how you are going to be positioned when you come out of the downturn?

Think about the last time you went sightseeing in a new city, arrived in an unfamiliar airport or went shopping in a new mall. The first thing you probably did was locate exactly where you were on a map before heading to your desired destination.

As a company you need to do exactly the same thing. You need to know where you are, before you can know where you are going and what it is going to take to get there!



A comprehensive baseline assessment, facilitated by an unbiased third party, can provide a clear perspective of exactly where you are. All key functional areas should be reviewed with deeper dives into organizational and compensation structure, operating and capital leases, product families, supply chain and inventory, subcontractors and insurance. Finance and IT should also be reviewed from the perspective of how they support operations.

The output of the assessment should outline key findings; including strengths, vulnerabilities and recommendations. The recommendations should be prioritized (i.e. most critical to less critical) and include a recommendation of current or future systems' scalability required to meet the business requirements.

The information in the report should be detailed enough that the findings can be put into a project plan and executed upon. But most importantly, it should provide a clear view of exactly where you are and what it is going to take to achieve your goals!

Case Study – Corporate Workout

Situation Analysis: Company was slow to react to a declining market and found themselves quickly in an EBITDA negative situation. While some reduction in force efforts had already been accomplished; cash flow and working capital continued to be a challenge since top line revenues had declined. Although a baseline assessment assessed the capability and efficiency of their people, processes and technology within the most recent 3 months; very few, if any of the recommendations had been implemented and the board determined that a workout was necessary to right-size the company.

Improvements Identified: Racca Solutions Group was re-engaged to develop, socialize and project manage a restructuring strategy focused reviewing all fixed and variable cost associated with People, Process and Technology. The goal was to obtain achievement of positive EBITDA and continue to improve it quickly as possible. The key areas of focus included:

- Organizational structure/employee census – SG&A and COGS
- Companywide incentives, commissions and bonus plans restructuring
- Reduction of all operating and capital leases
- Supply Chain and Inventory strategies review
- 1099's subcontractors review
- Product family strategies – High vs. low margin products

Next steps are to evaluate where improvements and cost cuts can be made in the Supply Chain that will continue impact to the P&L.

Overall Results: Within a two-week period, a total of \$6.5M in real savings resulted through an organization collapse, headcount reductions, salary cuts, travel and expense cut backs. Renegotiations of vehicle and property leases were completed, locations closed or moved and a restructuring of benefits. Excess finished goods inventory was sold off at 60% of its value and over the course of the next four months another \$3.7M in real savings was achieved putting \$10.7M to the bottom line. Within two months they were EBITDA positive and consistently improving upon it. The ROI on this investment in Racca Solutions Group to manage this project was 100X+.