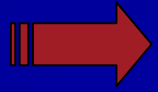


➡ Management Assessment

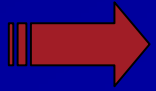




Management Assessment



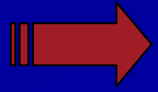
- Introduction & Objective
- Analysis to be Performed
- Data Requirements



Introduction & Objective



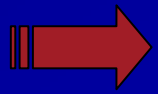
- Pre-requisite for success
- Management issues – characterize or sustain crisis companies
- Sources of Management issues
- Characteristics required of Turnaround Managers
- Observation methods – Determine Management's fit with the issues



Analysis to Be Performed

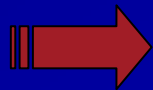
1. Recognize the signs of management problems
2. Look for the sources of management problems
3. Consider management resource in terms of turnaround abilities





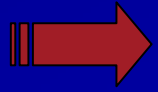
Recognizing the signs of Management Problems

1. Lack of Management Control
 - No effective monitoring systems
 - High staff turnover or absenteeism
 - Cost overruns
 - Project Delays
2. Lenders lost confidence in management
3. Management Denial
 - Attachment to strategy rather than objectives
 - Intolerant of bad news
 - “Hope springs eternal” viewpoint



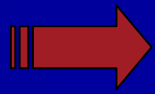
Recognizing the signs of Management Problems

- Belief that new money is available
 - Never Foreclose,
 - Offer additional funds in a cash crisis (in so deep)
 - Be replaced by another financier
- “Sales down but backlog strong”
- Misplaced sense of integrity
- Misplaced sense of loyalty
- Afraid / resistant to change
- Inability to admit failure
- Do not take personal responsibility
- Inadequate systems



Sources of Management Problems

1. One-Man Rule (Dictatorship)
2. Lack of Management depth
3. Inbred, bureaucratic management – Nepotism evident
4. Unbalanced / Dysfunctional Senior Management Team
5. Ineffective, non-participant board members (“Old Boy Network”)
6. Ratio of Executive to non-Executive Board Members

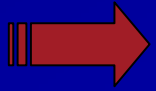


Sources of Management Problems

7. Dishonesty

8. Ineffective / poor culture

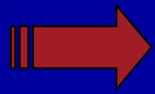
- Lack of accountability
- Frequent meetings but no decisions
- Hockey stick plans or forecasts
- Initiative / enterprise not nurtured or rewarded from above
- Poor communications (eg. No meetings)
- Accept and Expect to Lose



Sources of Management Problems

9. Weak Financial Structure

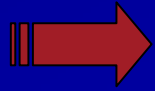
- Poor financial reporting
 - Not using appropriate metrics
 - Not measuring at right time
 - Inaccuracies / lack of discipline (eg. Costs / revenues coded inconsistently in reporting)
- Reactive rather than Pro-active
 - Inaccurate or nonexistent business forecasts
 - Didn't foresee credit squeeze earnings or shortfall against target



Sources of Management Problems

- Not “in the know”
- Poor financial Management
 - Over extension of credit
 - Excessive inventories
 - Excessive fixed assets
 - Excessive debt
 - Inadequate capital and/or liquidity





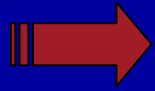
Consider Management Resource in Terms of Turnaround Abilities

1. Key Roles

- Architects of strategy
- Implement strategy
- Organizational leader

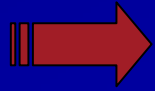
2. Necessary Management Skills

- Entrepreneurial instincts
- “Hands on” operating experience
- Excellent listening skills
- Quick decision making under uncertainty
- Action oriented
- Ability to admit mistakes and change outcomes
- Negotiating and interviewing skills



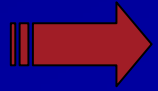
Consider Management Resource in Terms of Turnaround Abilities

3. Consider the above against key positions
 - President (CEO, Managing Director, COO, etc.)
 - Chief Financial Officer
 - Other top management
 - Board Members
4. Will they enable change or defend status quo / failed strategy?



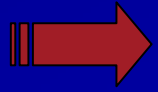
Data Requirements – Objective & Subjective

- Monthly financial reporting pack
- Board Packs
- Other Committee packs
- Management Information Systems
- Cash reports (A/R and Capex)
- HR reports (staff turnover, absenteeism)
- Minutes of Lender Group Meetings
- Credit / Loan Agreements and associated amendments



Data Requirements – Objective & Subjective

- Most recent planning and strategy documents
- Minutes of Operational Review Meetings
- Management Interviews
- Sales Forecasts
- Year-on-Year Sales Backlog
- Organizational Charts, current & historic
- Operational Process Charts, current & historic
- Crisis / Flash Reports



Data Requirements – Objective & Subjective

- Senior Management Resumés
- Company Board Structure
- Bio' of each Company Board Member
- Minutes of Operational Reviews
- Staff & Management Incentive Programs
- Tour of Head Office / Management Facility