

## **HOW TO SAVE YOUR BUSINESS & MAKE IT GROW IN TOUGH TIMES**

A Common Sense Publication

By Turnaround Consultant Gene Pepper

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#### STEPHEN HALL

Stephen Hall is the 31-year-old President and Chief Operating officer in his family's accounting business. His father, Bob Hall, founded Robert Hall & Associates 35 years ago, and Stephen started working in his father's company as a teenager. Steve was a business major at USC, and graduated from that university.

Operating from a 31,000 square foot building in Glendale, California, the Hall accounting practice today represents over 7,000 tax and corporate clients. During tax season, they serve their clients from 10 am until well after midnight, Monday through Saturday.

Bob and Steve long ago created a practical and profitable model. Besides their dominant tax practice, the firm has:

- A financial planning division
- An equipment leasing division

They wisely decided to make the managers of these divisions partners. By providing equity stakes, the Halls have ensured themselves of attracting and keeping strong, capable executives, each of whom has built a solid profit center.

We then discussed Steve's experience with distressed companies. He and several of his associates work with about 20 client companies a year that fall into trouble. I asked Steve to share his stories, and what "take-aways" he could pass on to the readers of this book.

Steve said that management's biggest problem was a failure to execute. "They get so caught up in their own bureaucracy that a lot of the important and necessary tasks and projects aren't completed." It appears these top guys are so busy working **IN** their business 12 to 16 hours a day; they never get around to working **ON** their business.

Steve gave me an example. One of his clients serves the entertainment industry with an equipment leasing company. "He's got a great concept and is a successful guy, but he's moved his focus away from his moneymaking core business."

"He convinced a software idea about a year ago, hired a couple of software developers and has spent close to \$100,000, with no positive results. I asked him why he hadn't yet ramped up this

product online, and he said his main business took too much of his time. So he hasn't yet executed the inauguration of his new software program."

Steve remarked that he often sees owners loose concentration on a project because they don't know their limits...they take on too many duties and don't concentrate on priorities.

"Chasing their own tails is common among owners and managers who never prioritize their projects. Typically entrepreneurs want to do everything themselves. The reason? Most of the time, it's about a perceived lack of money. At other times, the founder is convinced he is the only one who can handle certain projects. And his lack of confidence in hiring the right people is a major stumbling block as well. If you're the boss, and you have hired the best people you can find to fill management positions, then you have to trust them to help you make the right decisions, especially in times of distress and crisis."

Steve blurted out suddenly. "Show me a company with no written list of priorities, an owner who has to do everything himself, and no real support structure in place, and I can predict with almost 100 percent accuracy the company will fail within two to three years."

"Many corporate clients are totally deficient in training their people. We encourage our clients to put each new hire, regardless of position, into at least a two-week, on-the-job training plan."

"Further, we tell the clients who always say that such training 'takes too much time, puts a burden on the person who's training, and costs too much money.' We can prove conclusively that companies that do train have enviable bottom lines. And conversely, companies that don't train struggle with their bottom lines."

This last statement led to a rapid fire question-and-answer session.

Q. "Steve, can you give me a synopsis of the advice you most often tell your clients?"

A. Here's Steve's advice:

- Using the old 80/20 rule, I tell my clients to concentrate on the best 20 percent and quickly weed out the 80 percent of the marginal time wasting clients. What I find is that a lot of our clients have fallen in love with the 80 percent people.
- I campaign hard to convince my clients they must raise their margins, which means raising their prices to their customers. Even if they get to 35 percent -40 percent margins, they will improve their profits dramatically. But what I get back is always the same: a big-time fear of losing customers.
- I can see failure coming up if businesses don't stop absorbing the rapid acceleration of their costs. I pound all the time on my clients: either raise your prices, or begin to save your money for a bankruptcy attorney.
- The most difficult owners to give advice to are the founder-entrepreneurs who often have egos. Sometimes I even threaten them with grim forecasts of doom because their financials are awful, but it doesn't faze them. Lots of times, my owners stop paying themselves a salary because of the company's shaky cash flow. Instead, they pay themselves from their personal savings account.

- I can't count high enough to tell you how many times I encounter denial. It's impossible for these owners to face reality, which in most cases involves a horrible financial position. I wish I could somehow reach the stubborn clients who never seem to "catch on" until it's too late to save their companies.

Steve summarized his experience working in turnaround companies:

"When my team and I go into a crisis-rocked company, we know from all the cases we've worked on in the past and there are thousands of them-that we have to look inside every department. *Just about everything is out of sync.*"

"Fifty percent of the time our manufacturing clients do not even know what their products cost to make. They make a guess, then put a markup on the products and bill accordingly...*almost always under pricing.*"

"Frankly, as harsh as it sounds, I see bad management or even no management more times than you can believe."

"The best advice I give my clients is to be sure to execute and hire the smartest, most capable people you can find. Train them so each knows his or her own role, then get out of their way. Naturally, everyone needs monitoring, but not micromanaging."

I asked Steve what a healthy company looked like, and he joked, "Just the opposite of the companies I described in our interview!"

Here's a short menu of key points:

- A complete and comprehensive written model and business plan. The plans don't need to be long, but they do need to be understood by everyone in the company.
- Everyone in the company should be trained and clearly understand his or her role.
- The owners/managers must receive easy-to-understand and timely financial data every month, preferably several times during the month.
- Besides the business model and business plan, there should be a sensible and savvy marketing plan-with budgets spelled out, and descriptions of roles to be played by people responsible for this part of the business.
- The company needs to know who its target audience is, and must be diligent in finding out everything about each of their customers.
- In these times, as best I can I insist to my clients they need to run financial forecasts every month, and even though it's a bit over the top, they should run cash flow forecasts twice a month.

Steve's company practices what it preaches to its clients. The firm is highly organized, to the extent that every person in the firm-there are 25 employees and principals-knows his or her job well. Another indicator of success:

The company has tripled its revenues in the ten years since it moved to its present location.

For a so called “non-marketing company,” Robert Hall & Associates has excelled in gaining new clients and keeping the existing client base intact. If ever there was an organization that exemplified the “lifetime value” of a customer algorithm, Bob’s and Steve’s leadership is outstanding proof that theory is rooted in fact, not in a marketing textbook.