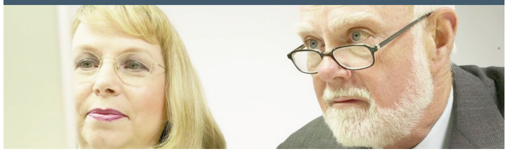
PERFORMANCE CONSULTING NEWS



At the Crossroad

Can double-digit sales growth, a strong product or service line, and a solid reputation in the industry bulletproof a company against a downturn?

Can double-digit sales growth, a strong product or service line and a solid reputation in the industry bulletproof a company against a downturn? Not if the company's management style and internal systems and processes have not kept pace with its success. When does it make sense to call in the experts?

It is not uncommon for a mid-market enterprise—once it finds its stride—to surpass sales goals and be positively touted by its customers, suppliers and business partners. Nor is it uncommon for that same company to all of a sudden find things unraveling.

When does it make sense to call in the experts?

Consider the case of a small engineering firm, which, having secured a niche in the fast-track installation of climate-controlled computer rooms, saw its already healthy business skyrocket when it signed an agreement with a major computer company to build computer rooms for its corporate customers. The first few installations went smoothly and the relationship strengthened.

As subsequent projects rolled out, issues started to surface. Initially, there were friendly e-mail alerts from the customer regarding construction snags. Additional problems emerged and existing problems persisted. E-mails escalated to phone calls, then meetings, and finally to a letter from the computer company's legal department threatening to enact penalty clauses for delays.

The owner of the engineering firm—who described himself as a seasoned, "old-school" project manager—had inklings about what was causing the problems. But he found himself stretched so thin in his roles as business developer, client-relationship manager and uber-project director, that he had little time to follow up on his suspicions.

In another example, an experienced and accomplished sales executive purchased a viable firm that installed multimedia rooms for corporate, academic and high-end residential accounts. The company had a long-term and loyal work force. The seller stayed on to provide internal operations management, while the new buyer focused externally on doing what he did best: selling. Under the new management, sales continued to grow and the size and quality of the customer base increased as more and more "A-1" corporations were added as clients. Service and maintenance revenues expanded accordingly.

Yet, as the top-line grew, cash flow was becoming a cause for concern. Although it was thought that the billing process was part of the problem, neither executive seemed to have the time or analytical tools to find a solution.

Both of these promising enterprises had reached a crossroad. Their businesses had grown too rapidly and were at a point where their organizational capacities to sustain that growth were being seriously challenged. The owners recognized that something needed to change. Without solutions to their problems, not only was continued growth in jeopardy, but maintaining the business they already had was going to be more difficult.

Both companies had an internal management structure that provided oversight of operational, financial and administrative activities, but only reactive stop-gap steps had been taken. Problems were increasing in frequency and gravity. Solutions—not Band-Aids—were required. Staff was struggling with the workload and had little time for critical analysis of the issues it confronted. And, while key employees had long histories with their firms, they were rarely required to be innovative.

To Call or Not to Call

Entrepreneurial executives, accustomed to independent decision-making, are often reluctant to hire consultants when they are in this sort of bind. That is why it is best to have the clearest picture possible ahead of time of what the consultant will be doing in your organization. What approach will be used? What steps will it take to minimize disruption to operations and staff? What are the costs and benefits of the engagement? Ideally, the deliverables should be specific so that each improvement has a price tag and activity is staged so there are go/no-go points along the way.

A practical, cost-effective method for achieving this clarity in advance is a corporate assessment. It starts with an objective evaluation of the firm's operations and provides a blueprint for management to achieve and sustain growth strategies. As stated in earlier columns, the assessment is a four-step process of inquiry, evaluation, recommendation and implementation.

Step One

Conduct an opening conference to develop an understanding of your company's short- and long-term goals, growth strategy, management's role in the organization, organizational structure, roles of key employees and major areas of concern. This step is crucial to ensuring that the objectives of the company are met. In the first example above, if the consultant's focus was solely on the immediate problem of the impending legal action by the computer company, an important objective of the owner—which was to allow him to focus on business development and extricate himself as much as possible from project management—might have been overlooked in the solution.

Step Two

Use both qualitative and quantitative evaluation through on-site observation and analysis to gain valuable insight into your company's operation. Evaluation methods may include:

- Confidential employee questionnaires to assess your employees' perceptions of the firm
- Personal, confidential interviews with key managers

- A review of significant business processes, management reports and financial statements to identify
- Evaluation of the effectiveness of your company's technology strategy from the users' points of view

The value of this step for both companies cited above was significant. In the case of the engineering firm, the probing of employees revealed that there was unanimous concern about the lack of clearly defined roles and responsibilities. The rapid growth of the company and the contract with the computer company created new activities and demands with no defined organizational structure or processes to handle them.

The review of computer applications and the technology skill level in the project management area immediately revealed the absence of the basic project management support packages essential to working effectively with their new, major-league account. The back-of-the-envelope approach that had worked in the past was crippling the company's ability to provide scheduling information and project metrics that were expected as a matter of course by the computer giant.

For the multimedia installation contractor, the assessment phase revealed that the prior owner retained as the internal operations manager had problems delegating responsibilities and had become the principal bottleneck in getting bills out the door in a timely manner. Without the broad assessment provided as a part of step two, management's "gut feel" was that a new billing system was the solution to their problems.

Step Three

Present findings and recommendations to management to arrive at an action plan for specific improvements. This step will enable management to evaluate the costs and benefits of required actions, and allow both management and the consultant to prioritize next steps. The ability of management to look at the full range of improvement areas and weigh the cost of additional consulting time and implementation against the value of the improvement should go a long way in allaying "pig-in-a-poke" fears about whether or not the company's priorities are of paramount interest.

Step Four

Finally, implement the action plan for improvement. Your company may decide to act on the recommendations either on its own, or fully or partially supported by the consultant. To maximize the value of the engagement, management should remain focused on implementation and continuously monitor progress with the help of consultants and/or internal staff. A good consulting company will always stand ready to provide help when needed.

Connie Bauman
Manager
J.H. Cohn LLP
cbauman@jhcohn.com

This article first appeared in the U.S. Business Review, *a Schofield Media publication. For more information, see www.schofieldmedia.com.*

Connie Bauman
Manager

Connie Bauman is a manager in the Performance Consulting Group of J.H. Cohn LLP. She has over 25 years of professional consulting experience in both the corporate and public sectors. She has worked extensively in project management, process improvement, system selection and implementation, Sarbanes-Oxley (SOX) documentation and testing, strategic and business planning, and capital project budgeting and analysis.

As a consultant, Connie has been responsible for implementing and supporting project, resource, and document management and financial systems across a variety of industries. She is presently working with a major international engineering firm to streamline their financial and project accounting processes and develop MS SharePoint workflows and procedures to manage and control document review, approval, and retention. She is also working with the management team at a NJ construction company to revamp their critical financial functions, establishing better financial controls, increasing the accuracy and value of accounting data, and defining key performance metrics. She is working and has worked with a number of international companies on SOX compliance.

Connie consulted extensively at J&J Pharmaceutical Research and Development LLC, where she developed process documentation and training for three generations of project management systems and several versions of project-based accounting software. She also developed and implemented training for an enterprise resource and project management system across pharma companies and led an effort to standardize project planning and reporting across project teams. She has also consulted with Lucent and AT&T on a variety of strategic planning issues and with Telcordia and small-business clients on organizational effectiveness and process improvement.

Prior to joining the Firm, she was with the Port Authority of NY & NJ for 12 years, where she held management positions in planning and finance including responsibility for the agency's strategic planning process. She also managed the review of the annual operating budget, five-year capital plan, and major contracts for transportation operations, including the PATH transit system and regional bridges, tunnels, and bus terminals. Among her achievements were aligning of the agency's $2.5 billion annual operating budget with key objectives; developing performance metrics for 19 departments; and incorporating risk, cost-benefit, and regional impact analyses; and value engineering and management into the capital project review process, achieving a $100 million capital savings in the first year of implementation.

Connie holds a Bachelor of Arts degree from Syracuse University and an Masters of Business Administration degree from Columbia University Graduate School of Business. She has held Board and Advisory Council positions in The Strategic Leadership Forum and the American Management Association. She is currently a member of the Construction Financial Management Association.