

CEO TO CEO

Assisting business leaders as they navigate critical passages

It's never the right time to panic.

October 10, 2008



It's been a heck of a week. My personal stock portfolio is pretty beaten up and the CEO community I'm a part of *is really nervous*, some panicky nervous. I can feel the negative emotional pull all around me and within me too. But as one who helps others navigate through critical passages, I'm committed to staying rational as we all navigate this critical *economic* passage. The economy will do its thing and just like sailing through any storm—our job is stay afloat and better still, to use the forces in the storm to blow us toward a sunny beach *ahead of schedule*. Please read a few of my practice notes as well as the essay about not acting like a panicked CEO.

The INSOMNIA Factor

What keeps CEOs **AWAKE AT NIGHT**
—and what to do about it.

Don't act like a PANICKED CEO!

By Robert Sher

Don't act like a panicked CEO! It'll keep your employees, bank, vendors and many others awake all night. You may feel like you're having a panic attack—it's going around. But over-reacting based on fear and other emotions is never a good idea, especially when the economic environment is changing so quickly.

When you feel the grip of emotions taking hold, it's time to look for someone to talk to who can make sure you're looking at your particular situation as rationally as possible. If you're getting this, you're connected with me and are welcome to call, whether or not you're my client. **To repeat, if you're feeling like you are going to act in a panic, please call me at 925-788-1141.**

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Book as a Marketing Tool

A client had half written a book, and hired me to pull the process along. We're connecting the book to his overall marketing plan, he's back at writing with a clear vision of the purpose. I'll project manage the book production, pulling in editors, designers, and printers.

Drumbeat

A lot of what I do is to keep clients and their top teams focused on their key objectives. We meet monthly, review graphs of progress, and talk about course corrections. It doesn't make great headlines here, but its powerful work.

My Network of Experts

I reached into my network and got the right lawyer for a client in the nick of time. My filmmaker connection finished with one client (watch it: www.nohardware.com). Another client got a mind-blowing quote on a few minor web changes so I referred in a freelance graphic designer for a 90% discount. A client with a team of 22 managers needed some relationships training and I referred in a

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Please know that I'm not against taking aggressive action to reduce risk in uncertain times. Some of you will, without doubt, have to cut expenses heavily, lay off good people, and otherwise take some drastic action. But many will not have to do this, and it takes careful and deep thinking to make the right decision. For a short article I wrote on outlasting hard times, or go to www.ceotoceo.biz, click on the published works tab, and scroll down to the July 14th, 2008 posting.

When we're fearful, it feels like every second counts, and if we don't act right now, all will be lost. But I've been in some really bad business scrapes where I've felt the panic. Almost nothing blew up immediately. There was always time to think carefully. Months would roll by, and my constant hard work to fix the situation generally paid off, and the worst was averted.

I really hope none of you will create the very problems you are trying to avert. Many decisions can cut the future out of a company, and while you'll survive, you won't be positioned to prosper when good times return. Of course, being self sufficient and not hoping for cash infusions from others is a key risk-reducing factor right now, and I'm all for it.

One of the things to take a bit of time to think carefully about (and to do some research on) is your customers, vendors, and other companies that you are dependent on. Just a few weeks ago I walked a trade show that I've gone to for many years. It was only 20% of its size and grandeur compared to 2002, and half what it was last year. It really made me think about an industry as an eco-system, with interdependence between businesses in that eco-system. In fact, each business—yours too—is an ecosystem, and with all the weakness in the economy, it's not enough to just worry about your own company. You've got to worry about the members of your ecosystem closest to you, and what effect their demise will have on you. I know a number of CEOs that are suffering from some insomnia on just

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duo that did a great job.

Divisional Financials

One client shortened his monthly close a lot, and now produces divisional P&L's for its two big divisions, so the VP's can really see the effect on profits for each action. Our business planning process kept the pressure on to get this done, but the client's CFO did the work, of course.

Marketing and Sales

Quite a few clients are pushing up their marketing and sales efforts, and I'm coaching the process along. *Now* is the time to rev up revenue producing engines.

Developing a Course for CEOs

I've been asked to develop a fundamentals program for CEOs new to the position, or those with non-business school training. I'll draw heavily from my five years of teaching executive MBAs about entrepreneurship at St. Mary's. But this new program will wrap the lessons around the CEO's businesses--as though they were case studies. The program will likely be six days long, with a day every six weeks for 6-8 months.

Upcoming Speaking:

- **Panelist:** Jumpstarting Innovation, October 31, 8AM Pleasant Hill . See www.thelearning-cafe.com/html/sustain.html
- **Speech:** Marshall Goldman School of Management, December 10th, 6PM San Francisco: How CEO's can Move the Needle <http://ceotoceo.biz/MGSM.html>
- **Discussion Leader:** Challenges in Building a Great Top Team: St. Mary's Graduate Business Alumni, December 10th, 7:30AM Moraga
- **Class:** How to Buy and Sell a Business, Atlanta GA, September, 2008

this point.

One client had a large customer that ran into hard times and was underfunded, so they decided not to pay my client. They caused a huge bad debt that sucked up all his available cash and line of credit, and at least a year's worth of net profit. He's fighting it in court, and there's hope they'll pay up—but nine months late or more.

For another, several major vendors ran into cash flow problems and yanked back on the flexible credit terms my CEO had become accustomed to. Still another, a distributor, is seeing less new product to resell than ever, and it threatens her ability to grow. I haven't gotten the call yet, but I suspect I will soon—that a bank has called a note on a seemingly minor covenants infraction. When banks get weak (sub-prime, or any other reason) they become scrutinized, and often have to "pull in their horns" and kick out otherwise good customers.

Here's a question that might keep you up tonight: Do you really know the strength of your financial institution, key vendors, customers, partners, even employees? Now is a good time to do some risk assessment in each of these areas. Collect the FACTS, then make a non-emotional, prudent decision.

For customers, partnerships and vendors, start pulling those D&B PAYDEX reports. For really critical relationships, you may want to see their financial statements on a regular basis. Independent bank ratings are available at www.veribanc.com. Employees who find themselves in financial stress (or are worried about getting laid off at their company) often start looking for better paying jobs, or may choose to relocate to other areas where the cost of living seems more affordable. Keep them calm.

You may not be able to "fix" all the weakness in your ecosystem, but you most certainly can create backup plans and contingency plans that will mitigate the damage. You might even find yourself making some great acquisitions that will stabilize your eco-system but give you a strategic advantage moving forward.

Don't drop your guard as soon as the newspapers claim the downturn is over. Many businesses generate surplus cash while they are shrinking, but if they spend it unwisely, when they begin to grow they will run out of working capital, and many fail in the first year of an upswing.

This issue may sound sort of downbeat, so try this. Tonight, if you're still up after 2AM, start thinking about all the bargains you can find in a downturn—acquisitions, better terms and prices from hungry vendors and higher unemployment (less wage inflation and more availability of talent). And your competitors are advertising less, giving up amazing ad placement, thus giving up market share. If you can avoid any big disasters, stay profitable and gain a few strategic advantages, you'll be in a great position to leap ahead soon. And you'll sleep like a baby. Maybe.

Four New CEO Case Studies:

Available at www.ceotoceo.biz on the published works tab near the top.

- **Aradigm.** We talk about key issues when companies partner up.
- **GROCO.** A study in commitment to marketing.
- **Performant.** A survival story when pricing got hammered on a contract renewal.
- **TEECOM Design Group.** A startup success story beginning in 1996 that underscores picking the right industry and applying disciplined business fundamentals.

Please call, e-mail or let's get together.
