

Insighter



Summer 2003

KEY MANAGEMENT NEWSLETTER & UPDATES

We've Grown...and Moved!

Please note that STORM Consulting LLC has moved its corporate office to a new location in metro Atlanta. This move reflects the organization's continued expansion over the past three years. Our new location and contact information is as follows:

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Storm Consulting LLC

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From the Front Lines... The STORM Approach

Much has been written about how an organization can get into financial trouble and how management should proceed to get them out of it. At STORM Consulting LLC, we have learned through numerous successful turnaround projects that there is no substitute for operations experience and a hands-on approach towards problem solving. Each of the situations we encounter is different, yet there are fundamentals to getting a company back on track that apply in a majority of cases.

Our engagements are typically initiated by investors and owners not satisfied with the performance and trends of their portfolio companies. Often there is a major precipitating event, such as an unexpected liquidity crunch or earnings surprise, that leads these clients to seek STORM's help in getting their organization back on track. Our focus is

always on fixing the company, not developing liquidation options and strategies.

The STORM team has successful experience in solving problems in numerous industries and in all phases of the business life cycle (from Business Start-Ups, to IPO's to Growth and Operational Turnarounds). We apply what we have learned by both our successes and challenges to the business case at hand.

Often a company's lack of success can be attributable to problems related to: Capital Structure, Leadership, Core Competencies and External Market Dynamics. We spend time up front in an engagement to understand the underlying factors driving poor performance through an in-depth Business Assessment Survey and an Issues and Opportunity Session with impacted stakeholders.

After identifying the fundamental issues surrounding poor performance, we quickly take action by rolling up our sleeves and working with management at the operational level. We never sit on the sidelines and make theoretical recommendations on what management should do. In many cases, the senior management team lacks the first hand experience in dealing with the complex operational issues they are facing. This lack of experience results in a management being focused on treating symptoms instead of resolving underlying core business and process issues.

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STORM Observations

“A company can have a great looking P&L, but at the end of the day,... it’s the cash that really matters.”

“A successful organization has a CFO that establishes and enforces the rules of the game, doing what it takes to contribute as a pro-active team member to win...their job is not to just keep score!”

“There is no substitute for leadership by example.”

“A successful company enlists the services of legal council that focus their energy on problem solving...not on why something can’t be done.”

5 Traits of a Successful CEO

1. Integrity

Acting on a personal commitment to honesty, openness, and fairness; living by and for one’s standards

2. Focus

Attention directed through the setting of goals and priorities

3. Courage

The willingness to take risks, make decisions, and overcome fears, even when the outcome is uncertain

4. Determination

The tireless pursuit of a goal, purpose, or cause

5. Patience

The willingness to wait for opportunity, readiness, or results from oneself and others

The STORM Approach

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Capital Structure - With all of the mergers, acquisitions and industry consolidation plays that have transpired in recent years, we find many companies whose operations cannot support the capital structure created through excessive leverage and debt. We see STORM’s role as being the champion for the primary investor. We work rapidly to scale the business to a level where it is no longer a drain on capital and, at that same time, positioning the business for future growth and profitability. We view the problem from an operations perspective and assess the company’s ability and potential to support its current capital structure from the existing asset base of plant, equipment, and inventory.

Leadership - In many of our assignments, we find the current management team does not have the background required to get the company “off the rocks”. STORM first takes the time to understand the dynamics and capabilities of the current team. We have found that, in most instances, working side by side with current management is the best course of action to fix the problems. In certain situations, we serve as interim managers to return the company to profitability and facilitate the transition to a new management team.

Core Competencies - What made a company great in the past is not necessarily what will keep it there, especially if it faces external factors that changed the rules of the game. STORM takes the time up front to identify and understand the key factors for success in a given industry, and looks at how the organization is structured to address these factors. We work with management and the owners to strengthen areas of weakness and capitalize on their strengths.

External Market Dynamics - Sometimes a company can do all of the right things internally, yet still run into external factors beyond their control. Economic downturns, government legislation or changes in buying patterns can all add up to a slowdown in business. STORM quickly analyzes these dynamics and makes the necessary recommendations on how to keep the company cash flow positive and at the same time preserve future opportunities. STORM will also play an active role in the execution of “get back on track” strategies.

In any engagement, we find it critical to gain an up-front understanding of which of the above categories (or a combination of) is driving poor performance, then take rapid action to increase stakeholder value.

At STORM... We get it done!

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