BY GARY W PATTERSON

WHICH MANAGEMENT GROUP ARE YOU IN?

With a new year ahead of us, Gary W Patterson identifies the qualities CEOs are looking for in top managers, and the measures you can take to get noticed.

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The first group has moved into full throttle ahead to create and exploit opportunities this year. They are starting to reap the benefits of acquiring the best clients, the best employees, and increasing market share and bottom-line profitability.

The second group – well, they are still holding back waiting for better days before investing in their future, but starting to risk losing out to the first group.

Both groups are tired of the 'prolonged' recession limiting your life and your business. Yet, only the first group is taking a proactive position.

In order to support the decision of the first group, and question the delay of the second group, new information has come to surface. A recent IBM CEO study shows that CEOs want and need creative leaders who can embrace ambiguity, "take risks that disrupt legacy business models," and "leapfrog beyond tried-and-true management styles".

Creativity seems to be the new corporate mantra the first group is embracing, and the second group will be chasing. For example, I was summoned by an international public client to wear five hats in a supporting role. My duty? Closing two strategic acquisitions purchased from equity group sellers in 12 weeks, while reducing risk, was my challenge. As you may know, closing one acquisition from a short letter agreement to a funded closed sale in 12 weeks is almost impossible. Experts will tell you that closing two acquisitions that quickly is a rare occurrence.

Did creativity have something to do with it? You bet – as creativity was the cornerstone that brought this nearly impossible double acquisition together successfully. What could have happened if creativity was not the catalyst for our success? Just for starters, risks could have ballooned out of proportion preventing the acquisitions to close on time, causing a poorly executed acquisition to close and bloat immediate business scaling – and, on a personal side, loss of recognition and self-esteem by the C-level team.

The five hats requested included providing due diligence support, acting as a shared resource to help the seller provide needed data, assisting on a 100-day transition plan, serving as representative of buyer's CFO and controller to obtain cut-off data, and meeting additional ongoing special needs during the process.

Now, whatever business approach you are embarking on, I urge you to rapidly move forward cautiously, first coming to a deeper understanding of the risks your business or industry is facing before taking that next step. In considering new opportunities, reflect on the word 'creativity' and the feeling of false comfort that this word can provide (not that long ago, Enron was creativity run amok).

Ask yourself whether you're being realistic about opportunities available, resources needed to adequately target them, and size, value, and risk involved in your portion of the opportunity. For this analysis, apply liberal doses of scepticism, which I define in these hard times as 'optimism with a cold, hard look at reality'.

Then, here is how you can participate more safely and successfully in pursuing those emerging opportunities. Acknowledging and acting on these points will help you take control of your fiscal destiny:

Executives willingly undergo a thorough health check to identify potential catastrophic health issues in time for the doctor to help resolve health issues. When your life is at risk, you willingly get a second opinion.

Right? Then tell me: why will those same C-level leaders not stick out their balance sheet and cough for a company fiscal checkup? Most companies still have not truly embraced the concept of enterprise risk management to understand their existing risks and search for creative opportunities.

If you don't understand the strengths and weaknesses of your own business, how can you prudently and rapidly take advantage of future opportunities? If you have not opted for an outside, independent ▸

risk management second opinion, you should (your business lifeline is at stake).

Cash is the lifeblood pulsing through business. Most leaders academically know they need to get back to the basics and control cashflow projections for the next six and preferably 12 months, on a rolling basis.

Yet one $200-million company felt it was too hard, even impossible, to do cash flow projections for their business – until they violated their loan covenants. Near-death experiences change priorities and willingness to do the right things.

One of the actions we took created those cashflow projections and placed a tourniquet on cash, payables and liquidity. Cash is the bedrock of survival and enables funding opportunities and creativity in our new turbo-charged, constantly changing business world.

Where is the cash lifeblood of your business seeping away or, even worse, haemorrhaging?

If you don't think you need a contingency plan, think again. Every company needs a contingency plan for the upside and the downside.

Remember the story of how Monster CEO Jeff Taylor bet the ranch spending $4 million on three 30-second Super Bowl ads and won, while others lost their bets and their business? Most people do not know that Monster also had a upside contingency plan of how to handle the incredible spike of success. Their upside bet included $700,000 for new network Dell servers and a T-3 pipe to support the response they expected, and received. So where is Monster today? We all know the answer to that question.

Your contingency plan can be as simple as creating a crisis communication plan or as complex as preventing possible worst-case scenarios from becoming a reality. Would you rather be a classic industry leader success story such as Monster, or a modern-day BP disaster? Success under today's extreme spotlight pressure does not come easily, if at all, to those who are not prepared.

Those who get back to the fundamentals of their business are being rewarded handsomely. Remember, Jeff Taylor of Monster recognised his key risks, included the absolute necessity to execute on an unheard-of-level spike in calls and inquiries.

Understand your real risks and five to seven key performance metrics specific to your company in order to get a better view of the risks and opportunities for the next year. If you do, you will be the winner who exploits opportunities that will attract and retain the best people and the best customers, while increasing your market share.

The keys to taking aggressive actions in line with the level of business risk for that opportunity are:

Know how much risk you are taking. Monster invested $4,700,000 in a well-thought-out, well-executed plan that others could not replicate, and was obscenely rewarded.

Have the ability to survive if the worst downside occurs. Donald Trump supposedly believed in this approach and followed it until, we are told, he stopped executing as well as he had originally.

Be sure of your financial foundation (balance sheet and ability to project the next six months cash). Or experience your own near-death experience on cash shortfalls, and trust in the mercy of a benevolent financier. In closing, let me introduce another mantra: 'Nurture financials – avoid disaster'.

About Gary W Patterson

Gary W Patterson, President & CEO of FiscalDoctor®, has been a consultant for more than 200 companies spanning supply chain, high-tech, transportation, construction, and service industries. Patterson is a well-known speaker on enterprise risk management (ERM), operational risk management (ORM), strategic budgeting, risk assessment, leadership, and change management.

His book Stick Out Your Balance Sheet and Cough: Best Practices for Long-Term Business Health includes resources on strategic planning, growth, leadership, strategic budgets, contingency planning, contract negotiations, finance and corporate evaluation, due diligence, and information systems technology. The book is available on Amazon.com (http://tinyurl.com/stickoutbalance). Watch for his upcoming book How to Ace The Fiscal Futures Quiz: Pass Fail Is Not An Option In The New Economy

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