

THE BOTTOM LINE

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KEYS TO GROWTH

ATTITUDE

Confidence and humility mark a leader, not arrogance.

COMMUNICATIONS

Imagine is the most powerful word in the English language. Try it.

PLANNING

Think about and build the culture best suited to achieve your goals.

CAPITAL

Leverage is neither good or bad. It accentuates good and bad times.

PEOPLE

Your highest paid employee should be your least expensive employee.

INFRASTRUCTURE

Build systems, policies and procedures to the rule, not the exception.

EXECUTION

Be the the low cost provider of value on a consistent basis and you will succeed.

GOVERNANCE

It's impossible to perfectly align shareholder and management interests. Managers have salary, reputation and wealth on the line. shareholders don't.

According to Dave . . .

February, 2010

Dear Dave,

Change, in 2009 and the first month of 2010, once again proved itself to be inevitable and with the ability to occur quickly.



Who would have imagined that a Republican would replace Teddy Kennedy as the Senator from Massachusetts?

Who would have imagined the change that one election could create in the environment of the country. Last month I was apologizing for the Nebraska Senator's vote and this month, after one election, it looks like the Senator from Nebraska sold out for nothing.

Speaking of Senator Nelson, he is providing a pretty good example of what not to do when you screw up. Over 65% of Nebraskan's disapprove of Senator Nelson's vote on health care. The Senator is now on television no less than 15 times a day with an add trying to convince all of Nebraska that he made the right vote. I don't think it is selling well. He even pulled Warren buffet out to try and sell the correctness of his vote. He seems to be protesting to much.

The question I have is why would Senator Nelson keep reminding Nebraskans of what he did? Sometimes it's better to just let the mistake fade into the past. Now with the election of Scott Brown in Massachusetts, Senator Nelson's vote has apparently become meaningless. The sooner he gets off television the sooner this storm will pass. You can't be rediscovered until you have disappeared from site.

I've done a lot of listening this month. My contacts don't think things will get a lot worse for the economy in 2010 but they don't see much improvement either.

Bankruptcy: A Good Place To Start discusses some of the issues that were raised at a recent seminar I attended on managing risk in today's environment. Given what is going on, I think this will provide some food for thought.

Sales: Finding New Cheese is about getting more from what you have. The article discusses ways to get your sales force re-focused and moving forward. Standing still is probably not one of the ways you will think about after reading Bankruptcy: A Good Place to Start.

Can You Sleep When the Wind Blows is a story that was sent to me when I was going through my issues with corporate bankruptcy and the Securities and Exchange Commission. I think it has a great message. By the way, I did sleep when that wind was blowing.

Again thanks for your feedback. Feel free to pass this along and if you have anything you want to put in the newsletter or a topic you want me to research, let me know.

Thanks,

The Bottom Line

Bankruptcy: A Good Place To Start

BY: Dave Guenther

In late January I had the good fortune of being invited to attend a KPMG Executive Briefing entitled "Increasing Scrutiny on Corporate Risk Management- Is Your company Prepared". I confess, I was a little skeptical at what I might be getting into but the event offered a free breakfast, a chance to network and a chance to see some people I had not stayed in touch with.

The briefing focused on what was being proposed and what had already passed congress in the form of legislation affecting regulation of banks and American businesses in general. After the formal presentation, they had a panel discussion. This was real business people talking about the real issues of managing risk in business today. Some interesting observations follow.

One of the panel member's led off by saying that he always liked to ask the question of management "What would have to happen to bankrupt this company"? Think about it. What is the worst thing that can happen to any company or any group of shareholders? Having had some personal experience in this



area, I can attest that bankruptcy and everything that follows is the worst thing that can happen to a company, management and shareholders.

[\(READ ARTICLE\)](#)

Who we are.....

Dave Guenther is the founder and President of BSM Executive Advisors.

Dave co-founded and grew the company *InaCom*, from an idea into a six billion dollar Fortune 500 company.

Dave used these same principles for developing and growing a business to help the owners of *RTG Medical* grow their business from a \$3 million dollar company to over \$30 million dollars in just four years. Helping *RTG Medical* earn national recognition three of the last four years as one of *Inc. Magazine*'S fastest growing companies in the country.

As the chief contributor to *The Bottom Line*, Dave is seeking to share the same fundamental principles and sound advice that created *InaCom* and grew *RTG Medical* with other business owners seeking to gain an advantage in an increasingly competitive economic environment.

Sales: Finding New Cheese

By: Dave Guenther

2009 was a tough year for everyone. As bailouts grew and mortgages tanked, they dragged every industry and business in the U. S. down with them. We continue to be in a very sluggish recovery and unemployment is not expected to decrease anytime soon.

Given the macro backdrop, how do you get your sales force out selling again and growing your business?

One company I know had revenue down almost 25%. They have taken some very aggressive steps.

Instead of hunkering down while the winds of recession blew, they hired sales people. The result was they had more sales horsepower that was trained and experienced by the end of 2009 and could attack 2010. They were fortunate and had the capital locked up to continue being aggressive.

first.

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Can You Sleep When The Wind Blows?

Anonymous

Years ago, a farmer owned land along the Atlantic seacoast. He constantly advertised for hired hands. Most people were reluctant to work on farms along the Atlantic. They dreaded the awful storms that raged across the Atlantic, wreaking havoc on the buildings and crops.

As the farmer interviewed applicants for the job, he received a steady stream of refusals. Finally, a short, thin man, well past middle age, approached the farmer.

"Are you a good farm hand?" the farmer asked him.

"Well, I can sleep when the wind blows," answered the little man. Although puzzled by this answer, the farmer, desperate for help, hired him.

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One of the panel member's led off by saying that he always liked to ask the question of management " What would have to happen to bankrupt this company"? Think about it. What is the worst thing that can happen to any company or any group of shareholders? Having had some personal experience in this area, I can attest that bankruptcy and everything that follows is the worst thing that can happen to a company, management and shareholders.

In my view, every company goes bankrupt because it loses access to capital. Ask yourself what would cause your company to lose access to capital? Those are your key risks.

The panel member went on to say that once you knew what would cause bankruptcy you were in a position to start assessing what the real risks to the company were. Through a simple process of working backward from bankruptcy you access what led to the bankruptcy and then how you would monitor for events to see if the worst was happening. I agree with him.

One story was related that stresses the fact that you need to be careful not to overlook risks that are created by trying to remedy one risk and failing to consider all the consequences. As the story went, the company determined that once interest rates from the FED hit 0% they were not likely to go much lower. Based on that decision the company refinanced all the debt in their portfolio companies thus eliminating the risk, or so they thought, of increasing interest rates.

The problem arose when 3 or 4 of the portfolio companies violated their loan covenants. Not a big deal in years past- you paid a fee and a waiver was granted. In todays environment, however, that's not how it works. The banks required the companies to renegotiate their loan terms and the cost of borrowing went up 200 basis points. They wound up triggering

the very risk they had tried to avoid. The point here is that you need to look down every hall way when evaluating and trying to reduce risk exposure.

Another point that came out was that risk changes all the time. What was a major risk yesterday may not be a risk today but it probably was replaced by something else. For instance 12 months ago the cost of money ceased being a risk but the availability of capital increased as the regulators got more involved in the lending business.

A lot of discussion has been taking place about limiting the size of banks to avoid the "to big to fail" syndrome. Sounds good but it was pointed out that if other countries don't limit the size of their banks guess what American business will do. They will go to the big bank in Japan or China where they can get a better deal for their shareholders.

The panel felt, and I agree, that more regulation is coming but regulation will not prevent another event like we had in 2008 and 09. If events line up right again, the same thing could happen. What is certain, however, is that congress will pass uniformed regulations which will be paid lip service until something goes wrong. Then every new regulation will become another blunt object for regulators to pound businessmen and drag them into the courtroom.

Finally, the panel felt that while the economic fall may have ended, it highly unlikely that we will begin to crawl out of the hole we have found ourselves in. They are a looking for a very flat 2010 and planning accordingly. I think that is probably pretty good advice for us all.

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One company I know had revenue down almost 25%. They have taken some very aggressive steps.

Instead of hunkering down while the winds of recession blew, they hired sales people. The result was they had more sales horsepower that was trained and experienced by the end of 2009 and could attack 2010. They were fortunate and had the capital locked up to continue being aggressive.

That being said, they still faced a sales force that was taking the easy way out- making excuses.

"The industry is down and therefore it is no wonder that my revenue production is down".

Your industry may be down, but unless you have an extremely small market or a dominating market share, there is room to grow. Take share.

So what did the company do to get things moving in 2010?

The book, "Who moved my cheese" by Dr. Spencer Johnson with Ken Blanchard was purchased for everyone in the organization. A half day session was scheduled to listen to the audio version of "Who Moved My Cheese" and talk about how it applied to the Company and them.

The story is about 2 mice who acted instinctively and two little people that analyzed change to death. For years they went to cheese station C and got their cheese every day. One day no cheese was there. The mice left immediately to go find new cheese, the little people stayed and analyzed why no new cheese was being brought.

The message for the sales team was, don't keep going back to the same customers if they can't buy- cheese station C. Start looking for new customers to sell to. Don't be afraid, embrace the change and go make things happen. In the long run you will be much happier and far more satisfied if you are moving on and doing something rather than sitting around wishing for the good old days.

As a result, the company didn't set sales targets for individual recruiters. The company re-focused everyone on giving 100% effort on sales calls, something everyone could do, rather than the end result of a sale. 100% effort on things like actually calling on customers and asking if there was anything they could do rather than assuming there wasn't anything needed.

The company told its sales force that if they gave a 100% effort on making calls to customers, they would take whatever revenue and profit resulted.

The company asked for effort not specific results. Effort is action. Action creates results.

The Company declared Thursday as sales blitz day. The Company asked that the entire team make each make 75 customer phone calls that day. The prize for the group was that they could leave as soon as the quota had been met. Everyone left at noon. By the way, they even got a fair number of solid leads for sales during the blitz. A lot of customers also asked why they hadn't been calling. Stay in touch, you may just get the first call when the customer needs something.

The Company implemented a sales program based on Cheese. The Big Cheese of the week gets a Cheese ring on their desk. Every salesperson got a cheese coaster to put in their office to remind them of the story. A little cheesy, but its working. The years not over but the sales staff does feel a lot better about themselves and they are giving a lot more

effort.

Finally, the Company implemented a number of short term goals. Each week now has an individual and team goal. People can and do succeed weekly. Nothing improves attitude like success. The better people feel, the better they will present. The better they present the more they will sell. Trust me; it feeds on itself if you can just get the ball started.

It's not always easy but if you get people to focus on something they can achieve, you get action. That action will result in movement and ultimately that movement will start to deliver good results for you and your team.

Effort and attitude is the key to turning things around.

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As the farmer interviewed applicants for the job, he received a steady stream of refusals. Finally, a short, thin man, well past middle age, approached the farmer.

"Are you a good farm hand?" the farmer asked him.

"Well, I can sleep when the wind blows," answered the little man. Although puzzled by this answer, the farmer, desperate for help, hired him.

The little man worked well around the farm, busy from dawn to dusk, and the farmer felt satisfied with the man's work.

Then one night the wind howled loudly in from offshore. Jumping out of bed, the farmer grabbed a lantern and rushed next door to the hired hand's sleeping quarters. He shook the little man and yelled, "Get up! A storm is coming! We need to tie things down before they blow away!"

The little man rolled over in bed and said firmly, "No sir. I told you, I can sleep when the wind blows." Enraged by the response, the farmer was tempted to fire him on the spot. Instead, he hurried outside to prepare for the storm.

To his amazement, he discovered that all of the haystacks had been covered with tarpaulins. The cows were in the barn, the chickens were in the coops and the doors were barred. The shutters were tightly secured. Everything was tied down. Nothing could blow away. The farmer then understood what his hired hand meant, so he returned to his bed to also sleep while the wind blew.

The winds are blowing very hard right now for a lot of companies and people.

When you're prepared, spiritually, mentally, and physically, you have nothing to fear.

Can you sleep when the wind blows through your life?

I hope you enjoy your day and you sleep well.

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About Us

Dave Guenther and BSM Executive Advisors work with you to find innovative answers to issues in Business execution, Strategy and Management. BSM delivers results.

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