

RD CORPORATE COMMUNIQUE...

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Management, Strategy and Leadership

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BE ALERT FOR WARNING SIGNS

Capable management has the ability to anticipate trouble and resolve problems before they become crises. Here are some warning signs that could portend serious problems.

- **Financing repeated losses or deficits by adding debt.** This just makes the problem even worse. Develop sound financial goals and implement a plan to meet cash-flow requirements.
- **Poor employee relations and excessive turnover.** Southwest Airlines has always operated under the principle: “Don’t take care of your customers. Take care of your employees and they will take care of your customers.”
- **Excessive overhead.** Overhead that makes the operation more profitable and the employees happy and productive is necessary. Any expense that doesn’t is excessive.
- **Putting all your eggs in one basket** - a.k.a. becoming overly dependent on one product, customer, client or supplier. Spread your risk.
- **Staying with a strategy that’s not working.** When that becomes obvious, go to Plan B – or even Plan C. If they don’t work, cut your losses and move on to something else.
- **Growing too fast.** Growth requires capital before it produces revenue and profits. Make sure you have the working capital you need – and the infrastructure to support your growth.
- **Failing to manage for cash flow.** You can’t fund payroll or pay vendors with the profit on the P&L statement. You need cash. A cash flow forecast is essential to identify the amount and timing of your working capital requirements.
- **A weak or uninvolved board of directors.** You need outside board members who serve as an independent sounding board and hold management accountable. If they aren’t doing this, replace them.

If not recognized and corrected, each of these situations will, sooner or later, turn into a crisis that could bring the operation down. Heed warning signs. Prevent crises.

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Bob is a recognized authority on management, strategy and leadership for companies and non-profit organizations. He also serves as an outside Director or advisor and has even served as an Interim CEO in crisis and turnaround situations. More information is available on his website www.robertdenney.com.

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