

# Porter, White & Company

## Revitalization & Change Management: What We Do

White Paper, July 2009, Number RCM 1.0

While Porter, White & Company has been around since 1975, and has built a reputation for helping our clients solve difficult problems, many of our friends and clients are not aware of the full scope of the services PW&Co provides. Part of our purpose in launching our new Revitalization & Change Management (RCM) practice in July 2009 is to better communicate a set of services that the PW&Co team has been delivering for many years.

Fundamentally, the RCM practice is focused on helping our clients solve operational and financial business problems through a combination of good advice, interim management support, and additional capital if required. Working with our clients, we determine together if the client's needs can be met through advice and analytical support alone, or whether the client requires that we place one or more executives at the client as part of the client's organization. These executives can serve as Project Leaders, Interim CEO or CFO, Chief Restructuring Officer, Board Member, or in any other role that allows the PW&Co team member to drive needed change.

We believe that most businesses, non-profits, and governments can occasionally benefit from outside perspective, and we welcome the opportunity to speak with our clients and friends to understand whether there is an opportunity to productively work together. We generally believe that there is a set of circumstances in which we can add particular value:

- Liquidity Crisis/Financial Distress – helping clients that face life-or-death financial crisis;
- Strategic/Transaction Support – helping clients prepare for a strategic transaction such as a sale, acquisition, or capital-raise;
- “Surge” Support – providing highly skilled resources to assist with a special project or effort that requires skills or numbers that the client does not have on its permanent staff;
- Gaps in Senior Management – providing an executive with no long-term agenda to maintain stability after a senior executive unexpectedly leaves, allowing for a thorough process to find the perfect candidate to permanently fill the position;
- Post-Merger Integration Support – providing an outside, objective team to ensure that the benefits of an acquisition are quickly captured, and that the merged organization captures the best of both predecessor organizations; and
- Business Assessment – providing an objective, outside view of a business to help identify risks and opportunities and create prioritized action plans.

Each of these circumstances requires a different approach. Below, we discuss in more detail the types of activities that would be associated with a representative engagement in several of these circumstances.

## I. Managing a Liquidity Crisis/Financial Distress

When an organization faces financial distress, we are able to provide support in terms of understanding the seriousness of the situation, communicating to stakeholders, making hard decisions and setting an action plan, and in some cases providing interim executives to implement the action plan. Some of the specific activities we perform in a typical “Distressed Situation Advisory” assignment include:

- *Scenario Planning and Analysis.* This involves understanding the consequences of different variables, such as sales in different economic environments. Usually it is possible to create a set of scenarios ranging from “best case” to “expected case” to “worst case.” In highly uncertain environments, a company should have an action plan for multiple scenarios. PW&Co can create these scenarios and action plans.
- *Cash Flow Analysis and Planning.* Based on the likely range of scenarios, PW&Co can analyze likely payables, inventory, receivables, borrowing availability, and options to improve each. This usually requires detailed analysis that most companies do not perform on a week-to-week basis. Implementing a working capital improvement plan typically requires intense focus, tracking, and discipline.
- *Communications Support.* In a crisis, good communications can make the difference between keeping lenders, vendors, employees, and customers on-board or losing their support. PW&Co helps its clients agree on messages and communications strategies, as well as drafting specific communications to keep stakeholders informed and supportive.
- *Cost-cutting.* In most distressed situations, deep cost cuts are required, at least temporarily. PW&Co’s team of experienced operating executives can help make quick decisions that protect a distressed company’s most critical capabilities while reducing “nice to have” spending.
- *Execution and Interim Management.* Successfully managing through a distressed or turnaround situation requires special skills and experiences. The PW&Co team has developed these skills while overcoming many difficult challenges. We can provide an interim CEO or CFO, or a Chief Restructuring Officer, to provide leadership through the crisis period.
- *Identification of Capital Sources and Capital-Raising.* Some otherwise salvageable businesses simply cannot survive with current funding sources. PW&Co has broad knowledge of institutions and individuals who invest in distressed situations and can identify sources of capital and mutually-beneficial funding structures, as well as execute capital-raises.

This is only a sample of the activities PW&Co carries out in support of distressed companies. For more detail on our views and capabilities, see our White Paper entitled “Managing in Troubled Times: A Guide for Middle-Market Companies in Liquidity Crisis,” available at our website [www.pwco.com](http://www.pwco.com).

## II. Supporting Strategic Change

Another example of a situation where the RCM practice can deliver critical impact is when a client is engaged in change of strategic import. For example, if a client is considering opening a new facility, entering a new market, or making an acquisition, PW&Co can help.

Our support ranges from helping size opportunities, defining risk, and performing due diligence to providing a team to drive implementation of a planned project. Key activities that PW&Co can perform include the following:

- *Objective Analysis of Risk and Reward.* As long-time investors, PW&Co's team understands from experience the risk of emotional attachment to an investment idea. Our team can provide cold, objective analysis of an opportunity in the context of risk, to help our clients make fact-based decisions.
- *Operational Due Diligence.* Sometimes the numbers only tell part of the story. Our team's experience in operating companies and executing transactions gives us special insights into the strengths and weaknesses of an acquisition target that otherwise would only become clear post-closing.
- *Post-closing Planning.* In too many cases, organizations behave as if the battle is won when the transaction is finished. Whether it is an acquisition, deciding to build a new plant, or entering a new market, the decision/transaction is just the beginning of capturing value and delivering cash. Success in any new venture requires detailed planning and execution.
- *Implementation.* Where we have been involved in planning, PW&Co can provide interim project management executives to ensure that planned activities are completed on-time and on-budget. Where a merger has occurred, we can be an objective buffer between the buying company and the acquisition to ensure that decisions on organization and policy occur in a non-emotional, apolitical environment.

## III. Business Assessment and Diagnostics

Even healthy businesses are well served by the occasional injection of outside perspective. This is especially true of businesses that are growing from small enterprises to medium-sized companies. In these instances, PW&Co can help clients understand the risks and opportunities facing their companies, as well as identifying any gaps in governance and process that may create risk as the company grows.

The core service we can provide in these instances is what we call a "General Business Assessment." In these situations, we carry out the following activities, among others:

- *Understand and Clearly Articulate the Goals of Ownership.* Different owners have different goals. Some owners have several sources of wealth and are interested in growing as quickly as possible, even if that means increased risk. Other owners are looking for a

rapid sale of the company. In many cases, families have built a company over generations and want low-risk growth and a structure that allows the company to stay in the family indefinitely. PW&Co will help you understand your options and articulate your goals so you can make decisions with these goals in mind.

- *Align Metrics and Reporting with Goals.* Small companies often have limited financial and operating reporting and metrics, because the owner knows everything important that is happening. As a company grows, this isn't possible. But it is inefficient and bureaucratic to have too many measures and too much reporting. PW&Co can help identify the most important metrics and put systematic reporting in place. We also know what reports are needed over time to survive due diligence if a sale or capital-raising event is contemplated.
- *Set Strategic Priorities.* Even growing companies can only achieve a few extraordinary things at once on top of running the day-to-day business. We can help you prioritize opportunities to maximize your limited resources.
- *Understand Savings Opportunities.* As a company grows, it may have access to more cost-efficient ways of doing business that immediately increase profitability. We can help you identify likely cost levers and capture savings.
- *Manage Risk.* PW&Co has a view of the risks that are associated with growth and the actions available to mitigate risk. We understand best practice legal and insurance practices as well as the business risks associated with various growth initiatives and transactions.
- *Install Clear Governance and Optimize Financial Structure.* As a company grows and becomes more complex, it is usually necessary to put different governance and structures in place. The larger a company is, the more dangerous it is for any one person to have irreplaceable skills and knowledge in the absence of a succession plan. If a capital-raising event is contemplated, PW&Co understand the types of governance and organizational structures that make investors comfortable, and can help put streamlined but effective structures and disciplines in place.

PW&Co knows that red tape is the enemy of a growing business. We work to provide needed discipline and process in an efficient way. At the same time, we have visibility into the strategic options available to our clients (geographic or product market entry, acquisition, divestiture, and so on) and can help companies assess these options and make profitable decisions based on what is practical to implement.

#### IV. Conclusion

The Revitalization & Change Management practice brings a professional approach to business problems, whether a liquidity crisis, an unexpected leadership transition, a special project, or

simply an assessment of an already-strong business. By “professional,” we do not just mean skilled and experienced, although we are these things. We also mean rigorous, fact-based, analytical, and acting in a fiduciary fashion to put our clients’ interests first. We only accept assignments where we believe we can have significant positive impact on matters of importance to our clients and friends.

Porter, White & Company’s overarching goal is always to help solve the most difficult problems facing our clients. For more details on how we can help you, see our website at [www.pwco.com](http://www.pwco.com).

J. T. Price  
July 1, 2009